

AMERISAFE INC  
Form DEF 14A  
April 24, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**AMERISAFE, Inc.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other than the Registrant)

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No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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April 24, 2014

Dear AMERISAFE Shareholder:

You are cordially invited to attend the annual meeting of shareholders of AMERISAFE, Inc. The meeting will be held on Friday, June 13, 2014, beginning at 9:00 a.m. at our corporate headquarters, which are located at 2301 Highway 190 West in DeRidder, Louisiana 70634.

Information about the meeting, including the nominees for election as directors and the other proposals to be considered is presented in the following notice of annual meeting and proxy statement. At the meeting, management will report on the Company's operations during 2013 and comment on our outlook for the remainder of 2014. The report will be followed by a question and answer period.

We hope that you will attend the annual meeting. It is important that your shares be represented. Accordingly, please vote using the internet or telephone procedures described on the proxy card or sign, date and promptly mail the enclosed proxy card in the enclosed pre-addressed, postage-paid envelope.

We look forward to seeing you at the meeting on June 13th.

Sincerely,

C. Allen Bradley, Jr.

*Chairman and*

*Chief Executive Officer*

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**AMERISAFE, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To be held on June 13, 2014**

The 2014 annual meeting of shareholders of AMERISAFE, Inc. (the Company) will be held on June 13, 2014, beginning at 9:00 a.m. at the Company's corporate headquarters, which are located at 2301 Highway 190 West in DeRidder, Louisiana 70634. The meeting will be held for the following purposes:

1. to elect two directors to serve until the 2017 annual meeting of shareholders;
2. to conduct an advisory vote on the Company's executive compensation;
3. to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2014; and
4. to transact such other business as may properly come before the meeting.

Information concerning the matters to be voted upon at the meeting is set forth in the accompanying proxy statement. Also enclosed is the Company's annual report for 2013. Holders of record of the Company's common stock as of the close of business on April 17, 2014 are entitled to notice of, and to vote at, the meeting.

If you plan to attend the meeting and will need special assistance or accommodation, please describe your needs on the enclosed proxy card.

By Order of the Board of Directors,

Kathryn H. Rowan

*Senior Vice President,*

*General Counsel and Secretary*

DeRidder, Louisiana

April 24, 2014

**IMPORTANT**

**Whether or not you plan to attend the meeting in person, please vote using the internet or telephone procedures described on the proxy card or by signing, dating, and promptly returning the enclosed proxy card in the pre-addressed, postage-paid envelope.**

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**AMERISAFE, Inc.**

**2301 Highway 190 West**

**DeRidder, Louisiana 70634**

**PROXY STATEMENT**

This proxy statement provides information in connection with the solicitation of proxies by the Board of Directors (the **Board**) of AMERISAFE, Inc. (the **Company**) for use at the Company's 2014 annual meeting of shareholders or any postponement or adjournment thereof (the **Annual Meeting**). This proxy statement also provides information you will need in order to consider and act upon the matters specified in the accompanying notice of annual meeting. This proxy statement and the enclosed proxy card are being mailed to shareholders on or about May 2, 2014.

Record holders of the Company's common stock as of the close of business on April 17, 2014 are entitled to vote at the Annual Meeting. Each record holder of common stock on that date is entitled to one vote at the Annual Meeting for each share of common stock held. As of April 17, 2014, there were 18,666,959 shares of common stock outstanding.

You cannot vote your shares unless you are present at the Annual Meeting or you have properly executed your proxy. You can vote by proxy in one of three convenient ways:

by internet: visit the website shown on your proxy card and follow the instructions;

by telephone: dial the toll-free number shown on your proxy card and follow the instructions; or

in writing: sign, date, and return the enclosed proxy card in the enclosed pre-addressed, postage paid envelope. You may revoke your proxy at any time prior to the vote at the Annual Meeting by:

delivering a written notice revoking your proxy to the Company's Secretary at the address above;

delivering a new proxy bearing a date after the date of the proxy being revoked; or

voting in person at the Annual Meeting.

Unless revoked as described above, all properly executed proxies will be voted at the Annual Meeting in accordance with your directions on the proxy. If a properly executed proxy gives no specific instructions, the shares of common stock represented by your proxy will be voted:



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FOR the election of two directors to serve until the 2017 annual meeting of shareholders;

FOR the approval of the compensation of our named executive officers, as disclosed in this proxy statement;

FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2014; and

at the discretion of the proxy holders with regard to any other matter that is properly presented at the Annual Meeting.

If you own shares of common stock held in street name and you do not instruct your broker how to vote your shares using the instructions your broker provides you, your shares will be voted in the ratification of the appointment of Ernst & Young as the Company's independent registered public accounting firm for 2014, but not

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for any other proposal. To be sure your shares are voted in the manner you desire, you should instruct your broker how to vote your shares.

Holders of a majority of the outstanding shares of the Company's common stock must be present, either in person or by proxy, to constitute a quorum necessary to conduct the Annual Meeting. Abstentions and broker non-votes are counted for purposes of determining a quorum and are considered present and entitled to vote.

The following table sets forth the voting requirements, whether broker discretionary voting is allowed and the treatment of abstentions and broker non-votes for each of the matters to be voted on at the Annual Meeting.

<b>Proposal</b>	<b>Vote Necessary to Approve Proposal</b>	<b>Broker Discretionary</b>	<b>Treatment of Abstentions</b>
		<b>Voting Allowed?</b>	<b>and Broker Non-Votes</b>
No. 1 Election of directors	Plurality (that is, the largest number) of the votes cast	No	Abstentions and broker non-votes are not considered votes cast and will have no effect
No. 2 Advisory vote on executive compensation	Affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on the matter	No	Abstentions will have the effect of a vote cast against the matter and broker non-votes are not considered votes cast
No. 3 Ratification of the appointment of Ernst & Young LLP	Affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on the matter	Yes	Abstentions will have the effect of a vote cast against the matter

The Company pays the costs of soliciting proxies. We have engaged Georgeson, Inc. to serve as our proxy solicitor for the Annual Meeting at a base fee of \$8,500 plus reimbursement of reasonable expenses. Georgeson will conduct our broker search, solicit banks, brokers, institutional investors and hedge funds to determine voting instructions, monitor voting and deliver executed proxies to our voting tabulator. Our employees also may solicit proxies by telephone or in person. However, they will not receive additional compensation for soliciting proxies. The Company may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of these proxy materials to the beneficial holders and to request instructions for the execution of proxies. The Company may reimburse these persons for their related expenses. Proxies are solicited to provide all record holders of the Company's common stock an opportunity to vote on the matters to be presented at the Annual Meeting, even if they cannot attend the meeting in person.

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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

At the Annual Meeting, two directors will be elected to serve three-year terms expiring at our annual shareholder meeting in 2017. This section of the proxy statement contains information relating to the two director nominees and the directors whose terms of office continue after the Annual Meeting. The director nominees were selected by the Nominating and Corporate Governance Committee and approved by the Board for submission to the shareholders. The nominees for election are C. Allen Bradley, Jr. and Austin P. Young, III. Both currently serve as directors.

*The Board recommends a vote FOR the election of each of the nominees.*

**Nominees to be elected for terms expiring at the Annual Meeting in 2017**

**C. Allen Bradley, Jr.**, age 62, joined the Company in 1994. He has served as Chairman of the Board since 2005 and as Chief Executive Officer and a director since 2003. Mr. Bradley served as President from 2002 until August 2010. In addition to the positions listed above, Mr. Bradley has served in various other executive capacities, including Chief Operating Officer, General Counsel and Secretary. He has also managed various departments of the Company, including underwriting operations and safety services. Prior to joining the Company, he was engaged in the private practice of law.

Mr. Bradley's over 20 years of experience with the Company, culminating in his service as the Company's Chief Executive Officer, gives him unique knowledge of the Company's business and the insurance industry. His long-term experience with the Company in various roles provides valuable insight about operational and strategic matters impacting the Company.

**Austin P. Young III**, C.P.A., age 73, has served as a director of the Company since 2005. Mr. Young served as Senior Vice President, Chief Financial Officer and Treasurer of CellStar Corporation, a logistics service provider to the wireless communications industry, from 1999 until his retirement in December 2001. From 1996 to 1999, he served as Executive Vice President-Finance and Administration of Metamor Worldwide, Inc., a national staffing and systems consulting firm. Mr. Young was also Senior Vice President and Chief Financial Officer of American General Corporation, an insurance and financial services holding company, for more than eight years. He was a partner in the Houston and New York offices of KPMG LLP for 12 years before joining American General Corporation. Mr. Young currently serves as a Director and Chairman of the Audit Committees of Insperty, Inc., a human resources outsourcing company, and Tower Group International, Ltd., a property and casualty insurance holding company. He holds an accounting degree from the University of Texas and is a licensed Certified Public Accountant in Texas. He is a member of the Houston and State Chapters of the Texas Society of Certified Public Accountants, the American Institute of Certified Public Accountants, and Financial Executives International.

Mr. Young's significant experience as a partner at an international accounting firm and in senior financial positions at various companies provides a solid background that enables him to advise the Board on financial and audit-related matters. This experience also enables him to serve as chair of the Audit Committee and as an audit committee financial expert. Additionally, his service on the boards of two other public companies, including one in the insurance industry, provides valuable insight as to the current trends in the insurance industry and in public company governance.

**Current directors whose terms expire at the Annual Meeting in 2016**

**Jared A. Morris**, age 39, has served as a director of the Company since 2005. In November 2012, he was appointed by the Board to serve as our lead director. Since 2002, he has been an officer and a principal owner of Marine One Acceptance Corporation and Dumont Land, LLC, both of which are specialty finance companies. Since 2002, he has also served as an officer of Dumont Management Group, LLC, a privately held company that

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provides management services to various affiliated finance and investment companies. He serves on the boards of directors of Beauregard Memorial Hospital, First National Bank of DeRidder and Driver's History, LLC, a provider of traffic violation data to the automotive insurance industry. Jared A. Morris is the son of Millard E. Morris.

Jared A. Morris has been the chair of the Nominating and Corporate Governance Committee for seven years and has taken a lead role in developing and maintaining the Company's corporate governance policies and practices. His experience and training in financial and credit management, as well as business investment, also enhance the Board's business sophistication.

**Daniel Phillips**, age 67, has served as a director of the Company since 2007. Mr. Phillips is President and Chief Executive Officer of PAX, Inc., a supplier of fabricated heavy industrial steel to the petrochemical, petroleum refining, and power industries, headquartered in Baton Rouge, Louisiana. He founded PAX, Inc. in 1979, and has been an owner and officer of that company since that time.

Mr. Phillips brings to the Board substantial experience as the founder and chief executive officer of an industrial company that typifies many of the Company's insurance clients. His experience as a CEO provides him with a unique perspective on leadership and issues affecting the Company and its clients.

### **Current Directors whose terms expire at the Annual Meeting in 2015**

**Philip A. Garcia**, C.P.A., age 57, has served as a director of the Company since 2010. He retired from the Erie Insurance Group in April 2009, where he served as Executive Vice President and Chief Financial Officer for the final 12 years of his 28-year career with that company. In 2013, Erie Insurance Group was the 18th largest property and casualty insurer in the United States based on net premiums written. Mr. Garcia was a director of Donegal Group Inc. from December 2009 to May 2011. He was previously a licensed Certified Public Accountant in Pennsylvania.

Mr. Garcia possesses a strong background in financial, accounting and investment management with a publicly traded property and casualty insurance company, as evidenced by his prior service as Chief Financial Officer of Erie Insurance Group. He brings substantial experience in the insurance industry to the Board, including a strategic understanding of the operations of a property and casualty insurance company, as well as an understanding of the current economic and other challenges facing our industry. His experience enables him to serve on the Audit Committee as an audit committee financial expert.

**Randy Roach**, age 63, has served as a director of the Company since March 2007. Since 2000, Mr. Roach has been the Mayor of Lake Charles, Louisiana. He is a former member of the House of Representatives of the Louisiana Legislature. Mr. Roach is Vice Chairman of the Louisiana Funding Review Panel, a body created by the Louisiana Legislature to study and make recommendations relating to statewide retirement systems for local employees. Mr. Roach is a member of the United States Environmental Protection Agency's Local Government Advisory Committee. He is a director of The First National Bank of Louisiana. Mr. Roach has been a member of the Louisiana State Bar Association since 1976.

Mr. Roach's experience as a government official brings valuable insight to the Board given that the Company operates in a highly regulated industry. Mr. Roach's background as an attorney, legislator and government official is particularly helpful in his role as a member of the Nominating and Corporate Governance Committee.

**Millard E. Morris**, age 69, founded the Company in 1985. He was our Chairman, Chief Executive Officer and principal shareholder until the Company was sold to a private investment group in 1997. He served on the Company's Board from 1985 until 2005, when he voluntarily retired from our Board prior to the Company's

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initial public offering. Mr. Morris was re-elected to the Board in June 2007. Since 1996, he has been the managing member of Dumont Management Group, LLC, a privately held company that provides management services to various affiliated finance and investment companies. Millard E. Morris is the father of Jared A. Morris.

Millard E. Morris's experience as founder of the Company and his long-term service as a director give him unique knowledge of the opportunities and challenges associated with the Company's business. His familiarity with the Company and the insurance industry make him uniquely qualified to serve as a director of the Company.

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**PROPOSAL 2**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Pursuant to Section 14A of the Securities Exchange Act of 1934 (the Exchange Act), we are submitting the compensation of our named executive officers as disclosed in this proxy statement to our shareholders for an advisory vote. Our Board has adopted a policy to hold annual advisory votes on executive compensation. Our next advisory vote on executive compensation will be at our annual meeting of shareholders in 2015. Our next advisory vote on the frequency of shareholder votes on executive compensation will take place at our annual meeting of shareholders in 2017.

As described below under the heading *Compensation Discussion and Analysis*, we seek to offer our employees, including our named executive officers, with a competitive pay package that rewards individual contributions, performance, experience and tenure with our Company, while aligning the interests of our executive officers and other key employees with those of the Company's shareholders. The Compensation Committee sets compensation in this manner to ensure that our compensation practices do not put the Company at a disadvantage in attracting and retaining executives and other employees, while also ensuring a competitive cost structure for our Company.

The vote on this proposal is not intended to address any specific element of compensation. Rather, the vote relates to the compensation of our named executive officers, as described under the headings *Compensation Discussion and Analysis* and *Executive Compensation* in this proxy statement. The vote is advisory, which means that the vote is not binding on the Company, our Board of Directors or the Compensation Committee. However, the Compensation Committee expects to consider the outcome of this advisory vote in evaluating whether any actions are appropriate with respect to our compensation programs for our executive officers.

*The Board recommends a vote FOR the approval of the compensation of our named executive officers.*

**PROPOSAL 3**

**RATIFICATION OF APPOINTMENT OF**

**ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014**

The Audit Committee has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for 2014. The Board is asking shareholders to ratify this appointment. SEC regulations and the Nasdaq listing requirements require the Company's independent registered public accounting firm to be engaged, retained and supervised by the Audit Committee. However, the Board considers the selection of an independent registered public accounting firm to be an important matter to shareholders. Accordingly, the Board considers a proposal for shareholders to ratify this appointment to be an opportunity for shareholders to provide input to the Audit Committee and the Board on a key corporate governance issue.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will be offered the opportunity to make a statement if they so desire. They will also be available to respond to appropriate questions. For additional information regarding our independent registered public accounting firm, see *Independent Public Accountants*.

*The Board recommends a vote FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm.*

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The Board presently consists of seven members, six of whom are non-employee directors. The Board is divided into three classes, with each class serving three-year terms. The term of one class expires at each annual meeting of shareholders.

**Director Compensation**

The elements of compensation payable to our non-employee directors in 2013 are briefly described in the following table.

<b>Board Service:</b>	
Annual cash retainer	\$ 35,000
Annual restricted stock award	30,000
<b>Board Committee Service:</b>	
Audit Committee Chair annual cash retainer	\$ 20,000
Compensation Committee Chair annual cash retainer	10,000
Nominating and Corporate Governance Committee Chair annual cash retainer	10,000
Risk Committee Chair annual cash retainer	7,500
Committee member annual cash retainer	5,000
Committee meeting fee (in excess of four meetings)	1,000

Committee Chairs do not receive annual cash retainers for being members of the committees they chair. Meeting fees are not paid for attendance at the first four committee meetings during the year. Any director who is an employee of the Company does not receive additional compensation for serving as a director. Directors do not receive additional compensation for serving on our Risk Committee. The Company reimburses directors for reasonable out-of-pocket expenses incurred in connection with their service as directors.

The amount of restricted stock granted to non-employee directors is equal to \$30,000, divided by the closing price of our common stock on the date of the annual meeting of shareholders at which the non-employee director is elected or continues to be a member of the Board. Awards to non-employee directors are made under the AMERISAFE, Inc. 2010 Restated Non-Employee Director Restricted Stock Plan (the 2010 Director Plan ). On June 14, 2013, each non-employee director was granted 896 shares of restricted stock.

The shares of restricted stock granted to non-employee directors vest at the next annual meeting of shareholders. If a non-employee director is first elected or appointed to the Board at a time other than at an annual meeting of shareholders, the non-employee director is awarded a prorated restricted stock grant.

The following table provides information regarding the compensation of our non-employee directors for the year ended December 31, 2013.

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Total
Philip A. Garcia	\$ 52,000	\$ 29,989	\$ 81,989
Jared A. Morris	52,000	29,989	81,989
Millard E. Morris	38,750	29,989	68,739
Daniel Phillips	40,000	29,989	69,989
Randy Roach	46,000	29,989	75,989
Sean M. Traynor (2)	20,000		20,000
Austin P. Young III	61,000	29,989	90,989

- The grant date fair value of each award, calculated in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718 ( Topic 718 ), was \$29,989 Pursuant to





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SEC rules, the amounts shown in this column exclude the impact of estimated forfeitures related to service-based vesting conditions. See Note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 for information regarding the assumptions made in determining these values. As of December 31, 2013, each non-employee director held 896 shares of restricted stock.

- Mr. Traynor decided not to stand for re-election to the Board at the 2013 annual meeting of shareholders. As a result, he did not receive a stock grant in 2013.

**Non-Employee Director Stock Ownership and Retention Guidelines**

Our Board recognizes that ownership of common stock is an effective means to align the interests of our directors with those of our shareholders. The following is a summary of our stock ownership and retention guidelines for our non-employee directors.

**Non-Employee Director Stock Ownership Guidelines.** Non-employee directors are expected to acquire and hold during their Board service shares of our common stock equal in value to at least three times the annual cash retainer paid to our directors, or \$105,000. Non-employee directors have five years from the later of the adoption of these guidelines or their initial election to the Board to meet these ownership guidelines.

**Non-Employee Director Retention Guidelines.** Directors are expected to continuously own sufficient shares to meet the guidelines once attained. Until a director meets the ownership guidelines, the director will be required to hold 75% of the shares of common stock received from any equity award, net of any shares used to pay the exercise price or tax withholding. If a director attains compliance with the stock ownership guideline and subsequently falls below the guideline because of a decrease in the price of our common stock, the director will be deemed in compliance provided that the director retains the shares then held.

The following table provides the equity ownership of each of our non-employee directors as of December 31, 2013, measured in dollars. Ownership was calculated based on a price of \$42.24 per share, the closing price of the Company's common stock on December 31, 2013.

<b>Non-Employee Director</b>	<b>Total Ownership</b>
Philip A. Garcia	\$ 231,475
Jared A. Morris	2,858,930
Millard E. Morris	4,309,789
Daniel Phillips	503,121
Randy Roach	335,935
Sean M. Traynor	217,198
Austin P. Young III	516,046

**Corporate Governance**

The Board and senior management of the Company believe that one of their primary responsibilities is to promote a corporate culture of accountability, responsibility and ethical conduct throughout the Company. Consistent with these principles, the Company has, among other things, adopted:

corporate governance guidelines that describe the principles under which the Board operates;

a code of business conduct and ethics applicable to all employees; and

written charters for each of its standing committees.

Our corporate governance guidelines, code of business conduct and ethics, committee charters and other governance policies are available on the Company's website ([www.amerisafe.com](http://www.amerisafe.com)) in the Investor Relations section. Copies of these documents are also available upon written request to the Company's Secretary. The



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Company will post information regarding any amendment to, or waiver from, its code of business conduct and ethics on its website in the Investor Relations section.

Management regularly meets with shareholders and potential investors. In those meetings, investors and shareholders express their views regarding the Company's executive compensation practices and corporate governance policies. Management reports to the Board and the Nominating and Corporate Governance Committee, or NCG Committee, regarding the discussions at these meetings. The NCG Committee and the Board periodically review the Company's corporate governance policies and practices. Based on these reviews, input from shareholders and recommendations from the NCG Committee, the Board adopts changes to policies and practices that it believes are in the best interests of the Company, including complying with any new SEC or Nasdaq listing requirements. Since our annual meeting of shareholders in 2012, on the recommendation of the NCG Committee, the Board:

Adopted a lead director policy and appointed Mr. J. Morris as lead director;

Adopted a policy regarding the recovery of incentive compensation in the event of a restatement of the Company's financial statements filed with the SEC or any state authority;

Adopted policies prohibiting our directors and executive officers from hedging or pledging our common stock; and

Adopted a policy regarding Rule 10b5-1 trading plans requiring, among other things, that each plan be approved by the Company's General Counsel and provided to the Chair of the NCG Committee for review prior to approval, and each plan must provide for a minimum 30-day waiting period between the execution of the plan and the initial trade under the plan.

The NCG Committee intends to continue to periodically review the Company's corporate governance policies, taking into consideration, among other things, the views of our shareholders and developments in the governance practices of other public companies.

## **Board Leadership**

The Company's Chairman and Chief Executive Officer positions are combined. The Board believes that combining the positions is the most effective leadership structure for the Company at this time. As Chief Executive Officer, Mr. Bradley is involved in the day-to-day operations and is most familiar with the opportunities and challenges that the Company faces at any given time. With this executive and operational insight, he is able to assist the Board in setting strategic priorities, lead the discussion of business and strategic issues and translate Board recommendations into Company operations and policies.

In 2012, in light of current trends in corporate governance and the views of proxy advisory firms, the Board appointed Mr. Jared A. Morris as our independent lead director. His key responsibilities in this role include:

presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;

calling meetings of the independent directors;

serving as principal liaison between the independent directors and the Chairman;

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approving the quality, quantity, appropriateness and timeliness of information sent to the Board as well as approving meeting agenda items;

facilitating the Board's approval of the number and frequency of board meetings as well as meeting schedules to assure that there is sufficient time for discussion of all agenda items; and

leading the discussion of the Board regarding the annual evaluation of the effectiveness of the Board.

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### **Director Independence**

As part of the Company's corporate governance guidelines, the Board has established a policy requiring a majority of the members of the Board to be independent, as that term is defined in the Nasdaq listing requirements. The Board has determined that each of its non-employee directors, Mr. Garcia, Mr. J. Morris, Mr. M. Morris, Mr. Phillips, Mr. Roach, and Mr. Young, is independent of the Company and its management within the meaning of the Nasdaq listing requirements.

In determining that Mr. Phillips is independent, the Board considered that Mr. Phillips is President, Chief Executive Officer and an owner of PAX, Inc., a policyholder of the Company. The Board determined that this relationship does not interfere with Mr. Phillips' exercise of independent judgment and that he is independent within the meaning of the Nasdaq listing requirements. See *Certain Relationships and Related Transactions*.

### **Board Meetings**

The Board held six meetings during 2013. Each director serving on the Board in 2013 attended at least 75% of the total number of meetings of the Board and committees on which he served. Under the Company's corporate governance guidelines, each director is expected to devote the time necessary to appropriately discharge his responsibilities and to rigorously prepare for, attend and participate in all Board meetings and meetings of Board committees on which he serves.

### **Annual Meetings of Shareholders**

The Company's directors are encouraged to attend our annual shareholder meetings, but we do not currently have a policy relating to directors attendance at these meetings. Mr. Bradley attended our 2013 annual meeting of shareholders.

### **Audit Committee**

The Audit Committee currently consists of Mr. Young (Chair), Mr. Garcia, and Mr. Roach. The Audit Committee oversees our accounting and financial reporting processes and the audits of the Company's financial statements. The functions and responsibilities of the Audit Committee include:

establishing, monitoring and assessing the Company's policies and procedures with respect to business practices, including the adequacy of the Company's internal controls over accounting and financial reporting;

engaging the Company's independent registered public accounting firm and conducting an annual review of the independence of that firm;

pre-approving any non-audit services to be performed by the Company's independent registered public accounting firm;

reviewing the annual audited financial statements and quarterly financial information with management and the independent registered public accounting firm;

reviewing with the independent registered public accounting firm the scope and the planning of the annual audit;

reviewing the findings and recommendations of the independent registered public accounting firm and management's response to the recommendations of that firm;

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overseeing compliance with applicable legal and regulatory requirements, including ethical business standards;

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reviewing with the Company's internal auditor the plans and scope of audit activities and the annual report of audit activities, examinations and related results;

establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;

establishing procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

approving related party transactions exceeding \$50,000 in aggregate value;

reviewing the adequacy of the Audit Committee charter on an annual basis; and

preparing the Audit Committee report to be included in our annual proxy statement.

The Audit Committee met six times during 2013. Our independent registered public accounting firm reports directly to the Audit Committee. Each member of the Audit Committee has the ability to read and understand fundamental financial statements. The Board has determined that each member of the Audit Committee is independent as defined in the Nasdaq listing requirements and SEC requirements relating to the independence of audit committee members. The Board has also determined that Mr. Young and Mr. Garcia each meet the requirements of an audit committee financial expert as defined by SEC rules. The Audit Committee has the authority to engage independent counsel and other advisors as the Committee deems necessary to carry out its duties.

## **Compensation Committee**

The Compensation Committee currently consists of Mr. Garcia (Chair), Mr. J. Morris, and Mr. Roach. The Compensation Committee has sole authority for establishing, administering and reviewing the Company's policies, programs and procedures for compensating our executive officers and the members of the Board. The Compensation Committee may delegate its responsibilities to a subcommittee comprised of Compensation Committee members. The functions and responsibilities of the Compensation Committee include:

evaluating the performance of and determining the compensation for the Company's executive officers, including its chief executive officer;

administering and making recommendations to the Board with respect to the Company's equity incentive plans;

performing a risk assessment of the Company's compensation plans and policies;

overseeing regulatory compliance with respect to compensation matters;

reviewing and approving employment or severance arrangements with senior management;

reviewing director compensation policies and making recommendations to the Board;

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reviewing the adequacy of the Compensation Committee charter on an annual basis; and

reviewing and approving the Compensation Discussion and Analysis and the Compensation Committee Report to be included in our annual proxy statement.

The Compensation Committee met six times during 2013. The Board has determined that each member of the Compensation Committee is independent under the Nasdaq listing requirements.

The Compensation Committee has the sole authority to retain and terminate compensation consultants to assist in the evaluation of director or executive officer compensation and the sole authority to approve the fees and other retention terms of such compensation consultants. The committee may also retain independent counsel and other independent advisors to assist it in carrying out its responsibilities.



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### **Nominating and Corporate Governance Committee**

The NCG Committee currently consists of Mr. J. Morris (Chair), Mr. Phillips, Mr. Roach and Mr. Young. The functions and responsibilities of the NCG Committee include:

developing and recommending corporate governance principles and procedures applicable to the Board and the Company's employees;

recommending committee composition and assignments;

identifying individuals qualified to become directors;

recommending director nominees;

recommending whether incumbent directors should be nominated for re-election to the Board;

reporting, at least annually, on succession planning, including appropriate contingencies in case our Chief Executive Officer retires, resigns or is incapacitated;

reviewing the adequacy of the NCG Committee charter on an annual basis; and

overseeing, at least annually, an evaluation of the performance of the Board and the Company's management in relation to the Company's corporate governance guidelines.

The NCG Committee met four times during 2013. The Board has determined that each member of the NCG Committee is independent under the Nasdaq listing requirements.

The NCG Committee has the sole authority to retain and terminate any search firm to assist in the identification of director candidates and the sole authority to set the fees and other retention terms of such search firms. The committee may also retain independent counsel and other independent advisors to assist it in carrying out its responsibilities.

***Qualifications for Director Nominees.*** In considering director nominees, the NCG Committee considers a number of factors, including the following:

personal and professional qualities, characteristics, attributes, accomplishments and reputation in the business community, insurance industry and otherwise;

reputation in a particular field or area of expertise;

experience as a senior executive of a company or other organization of comparable size to the Company;

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current knowledge and relationships in the markets and regions in which the Company does business and in the insurance industry and other industries relevant to the Company's business;

the ability to exercise sound business judgment;

the ability and willingness to participate in Board activities, including attendance at, and active participation in, Board and committee meetings;

the skills and personality of the nominee and how the committee perceives the nominee will be a fit with existing directors and other nominees in maintaining a Board that is collegial and responsive to the needs of the Company and its shareholders;

the ability and willingness to represent the best interests of all of the Company's shareholders;

consistent demonstration of integrity;

increasing the diversity of viewpoints, background and experience in addition to those of existing directors and other nominees; and

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whether the nominee is independent as determined in accordance with the rules promulgated by the SEC, the Nasdaq listing requirements and the Company's corporate governance guidelines.

The NCG Committee will also consider other criteria for director candidates included in its committee charter, the Company's corporate governance guidelines or as may be established from time to time by the Board. The NCG Committee has not adopted a separate policy pertaining to the consideration of diversity in the selection of nominees to the Board. The NCG Committee will identify nominees based upon recommendations by committee members or other Board members, members of the Company's management or, as discussed below, by shareholders of the Company. Upon identifying a potential nominee, members of the NCG Committee will interview the candidate, and based upon that interview, make a recommendation to the Board.

**Shareholder Recommendations.** The NCG Committee will evaluate director candidates recommended by a shareholder according to the same criteria as a candidate identified by the NCG Committee. To date, the Company has not received a recommendation for a director candidate from our shareholders.

Shareholders may recommend candidates at any time, but to be considered by the NCG Committee for inclusion in the Company's proxy statement for the next annual meeting of shareholders, recommendations must be submitted in writing no later than 150 calendar days before the first anniversary of the date on which the Company first mailed its proxy materials for the prior year's annual meeting of shareholders. A shareholder's notice must contain the following:

the name of the shareholder recommending the director candidate for consideration, the name of the director candidate, and the written consent of the shareholder and the director candidate to be publicly identified;

a written statement by the director candidate agreeing to be named in the Company's proxy materials and to serve as a member of the Board (and any committee of the Board to which the director candidate is assigned to serve by the Board) if nominated and elected;

a written statement by the shareholder and the director candidate agreeing to make available to the NCG Committee all information reasonably requested in connection with the NCG Committee's consideration of the director candidate; and

the director candidate's name, age, business and residential address, principal occupation or employment, number of shares of the Company's common stock and other securities beneficially owned, a resume or similar document detailing personal and professional experiences and accomplishments and all other information relating to the director candidate that would be required to be disclosed in a proxy statement or other filing made in connection with the solicitation of proxies for the election of directors pursuant to the Exchange Act, SEC rules and the listing requirements and other criteria established by Nasdaq.

The shareholder's notice must be signed by the shareholder recommending the director candidate for consideration and sent to the following address: AMERISAFE, Inc., 2301 Highway 190 West, DeRidder, Louisiana 70634, Attn: Corporate Secretary (Nominating and Corporate Governance Committee Communication/Director Candidate Recommendation).

## **Succession Planning**

Our Board considers the evaluation of management and succession planning to be one of its most important responsibilities. The Board's goal is to have a long-term program for effective senior leadership and development, with appropriate contingencies in case our chief executive officer, or any of our other executive officers, retires, resigns or is incapacitated.

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In the Board's succession planning program, internal candidates for the executive positions, including the CEO, are identified and evaluated based on criteria considered predictive of success at the senior management level. This program incorporates 360 reviews and related evaluations for each individual. The assessment includes a development plan, including executive coaching, for each individual.

Our Corporate Governance Guidelines provides that the NCG Committee report to the Board on succession planning at least annually. The CEO is responsible for advising the Board regarding his recommendations and evaluations of potential successors, together with a review of any development plans for these individuals. The Board, with the assistance of the NCG Committee, evaluates potential successors to the CEO, as well as other members of senior management.

### **Risk Committee**

The Board views risk management as one of its primary responsibilities. The Board initially formed the Risk Committee in 2010 to facilitate its risk management functions. In August 2011, the Board dissolved the Investment Committee and delegated the oversight responsibilities previously performed by the Investment Committee to the Risk Committee.

The Risk Committee's charter provides that all members of the Board are members of the Risk Committee. Mr. M. Morris serves as chair of the Risk Committee and establishes the agenda for the meetings. Risk Committee members periodically receive presentations on risk-related topics from the Company's management, including its Senior Vice President, Enterprise Risk Management.

The Risk Committee's responsibilities include:

reviewing strategies, processes and controls pertaining to underwriting, pricing, reinsurance, risk retention, business continuity, crisis management and settlement of claims;

overseeing the Company's investment operations, including reviewing the Company's Investment Policy & Guidelines, long-term strategy, investment performance and liquidity, compliance with applicable laws and regulations, changes to investment accounting methods and approval of external investment managers;

overseeing the Company's enterprise risk management program; and

reviewing specific operational segments that may pose unusual or significant risks.

The Risk Committee met four times in 2013. The Risk Committee has the authority to select, retain, terminate, and approve the fees and other terms of retention of special counsel, experts and consultants. This Committee also has direct access to any Company employee.

### **Risk Management**

In addition to the activities of the Risk Committee, the Board monitors risks arising from financial reporting and controls through its Audit Committee and risks related to compensation through its Compensation Committee.

### **Communications with the Board**

Any shareholder or other interested party who wishes to communicate directly with the Board or any of its members may do so by writing to: Board of Directors, c/o AMERISAFE, Inc., 2301 Highway 190 West, DeRidder, Louisiana 70634, Attn: Corporate Secretary. The mailing envelope should clearly indicate whether the communication is intended for the Board as a group, the non-employee directors or a specific director.

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**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis, or CD&A, is designed to provide shareholders with an understanding of the Company's compensation philosophy and objectives, as well as the analysis that the Compensation Committee (referred to as the Committee in this CD&A) performed in setting executive compensation. It discusses the determination of how and why, in addition to what, compensation actions were taken during 2013 by the Committee for our chief executive officer, each person serving as our chief financial officer, and our three other highest paid executive officers for 2013 (the named executive officers):

C. Allen Bradley, Jr., Chairman and Chief Executive Officer;

G. Janelle Frost, President and Chief Operating Officer (formerly Executive Vice President and Chief Financial Officer until May 2013);

Michael F. Grasher, Executive Vice President and Chief Financial Officer (since May 2013);

Geoffrey R. Banta, Executive Vice President, Corporate Development;

Vincent J. Gagliano, Executive Vice President and Chief Technology Officer; and

Craig P. Leach, Executive Vice President, Sales and Marketing.

**Executive Summary**

***2013 Management Changes***

During 2013, the Company saw significant transition in our senior management team. As previously announced, Geoffrey R. Banta, our former President and Chief Operating Officer, advised the Board that he will retire in December 2014, and in September 2013 he transitioned to the role of Executive Vice President, Corporate Development. In May 2013, G. Janelle Frost, our former Executive Vice President and Chief Financial Officer, was promoted to the position of Executive Vice President and Chief Operating Officer, and in September 2013, she was appointed President of the Company as well. Effective May 2013, the Board hired Michael F. Grasher to serve as our new Executive Vice President and Chief Financial Officer following Ms. Frost's promotion. In addition, Vincent J. Gagliano was promoted to the position of Executive Vice President and Chief Technology Officer in January 2013.

***Recent Company Performance Highlights***

We are a holding company that markets and underwrites workers' compensation insurance through our insurance subsidiaries. The Company performed exceptionally well during fiscal year 2013, as evidenced by the following highlights:

Gross premiums written increased 13.2% to \$372 million;

The GAAP combined ratio improved from 97.5% in 2012 to 90.0% in 2013;

Net income per share grew 46.8% to \$2.32 in 2013 from \$1.58 in 2012;

Total return to shareholders was 56.4% in 2013; and

Effective March 2014, the Board of Directors increased the regular quarterly dividend from \$0.08 to \$0.12 per share, and paid an extraordinary dividend of \$0.50 per share.

***2013 Compensation Highlights***

The Committee made the following key compensation decisions and engaged in the following activities in 2013:

Engaged a new independent compensation advisor to advise the Committee;

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Instituted an incentive compensation recoupment (clawback) policy for the Company's annual incentive plan; and

Modified the Company's annual incentive plan to include specific threshold performance benchmarks for each measure in the plan.

### ***Compensation Best Practices***

The Committee regularly reviews best practices in governance surrounding executive compensation in an effort to align executive compensation with shareholder interests, and to incorporate strong governance standards within our compensation program, such as the following:

**No Tax Gross-Ups** We do not provide, and no executive officer is entitled to receive, any tax gross-up payments in connection with compensation or other benefits provided by the Company.

**Clawback Policy** Both our annual and long-term incentive awards are subject to a compensation recoupment policy that permits the Committee to seek recovery of incentive awards paid if there is a restatement of the Company's financial statements.

**Double Trigger Severance Payments** The employment agreements with our executive officers do not provide for single trigger cash payments upon a change in control; our executives are entitled to severance under certain circumstances if they are terminated, and these payments are the same whether or not the termination is related to a change in control.

**Double Trigger Vesting** Since 2012, the awards under our new long-term incentive program only vest in connection with a change in control if the executive experiences a qualifying termination of employment.

**Performance-Based Annual Incentive Plan** Our annual incentive compensation plan rewards our executives for achievement of pre-established Company performance goals and individual goals.

**Performance-Based LTIP** Beginning in 2012, our long-term incentive program for executive management provides for performance awards that reward exceptional financial performance relative to a peer group of property and casualty insurers and is in alignment with shareholder returns to ensure that we can retain and attract talent to the executive ranks of the Company.

**Risk Review** The Committee conducts an annual risk review of the Company's executive compensation program, policies and practices.

**Oversight of 10b5-1 Plans** The Board adopted 10b5-1 policies and procedures, which include Board oversight of 10b5-1 plan transactions.

**Independent Advisors** The Committee ensures the independence of all Committee advisors by limiting the advisors to perform substantially all services for the Committee only.

**Anti-Hedging and Anti-Pledging Policies** The Company prohibits its executives and directors from hedging or pledging Company securities.

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**Stock Ownership Requirements** Our executive officers are required to maintain certain levels of ownership of Company securities, and are required to retain 20% of any shares received as compensation until such target levels are achieved (net of shares needed to cover the exercise price or tax obligations of an award).

### **Compensation Program Objectives**

Our compensation program is intended to attract, retain and motivate the key people necessary to enable our Company to operate efficiently and profitably over the long-term. The Committee believes that executive compensation should align the interests of the Company's executives and other key employees with those of the Company and its shareholders. Our compensation program is also designed to differentiate compensation based upon individual contribution, performance and experience with our Company.



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In establishing compensation, the Committee seeks to provide employees, including our executive officers, with a competitive total compensation package. The Committee sets compensation in this manner to ensure that our compensation practices do not put the Company at a disadvantage in attracting and retaining executives and other employees, while also ensuring a competitive cost structure for our Company.

### **Compensation Committee**

Our compensation program for executives is designed and implemented under the direction of the Committee, which is comprised of three independent directors. In October 2012, the directors appointed to serve as members of the Committee were Mr. Garcia (chair), Mr. J. Morris, and Mr. Traynor. At the Company's annual meeting in June 2013, due to Mr. Traynor's decision not to stand for re-election at the 2013 annual meeting, Mr. Roach was appointed to the committee to replace Mr. Traynor. For additional information regarding our Committee and its authority and responsibilities, see *The Board, Its Committees, and Its Compensation Compensation Committee*.

### **2013 Advisory Vote on Executive Compensation**

At our annual meeting of shareholders in June 2013, more than 99% of the votes cast in the say-on-pay proposal were in support of our executive compensation program. The Committee considered the results of this advisory vote and believes the results affirm shareholder approval of the Board's approach to the Company's executive compensation program. Accordingly, the Committee did not adopt any changes to this program as a result of this vote, although as noted above the Committee is continually evaluating our executive compensation and has made changes in the past few years to strengthen the performance elements of the program and further align the program with our shareholders interests.

### **Compensation Consultant**

In the spring of 2012, the Committee decided to engage a new independent compensation consultant and interviewed three compensation consulting firms. After extensive interviews with the three compensation consulting firms, the Committee engaged McLagan, an AON Hewitt Company, to conduct an executive compensation survey (the 2012 Survey). The 2012 survey, which is described below, was used by the Committee in setting 2013 compensation levels for the Company's executives. The Committee is solely responsible for the appointment, compensation and oversight of the compensation consultant.

Pursuant to Company policy, McLagan provides no services to the Company other than consulting services provided to the Committee. AON, the parent company of McLagan, did however provide insurance brokerage services to the Company and earned less than \$20,000 in insurance brokerage fees from the Company, that are unrelated to McLagan's compensation advisory fees in 2012.

McLagan attends Committee meetings, when necessary, and in 2012 advised on matters including peer group composition, and annual and long-term incentive plan design. McLagan also provides market data, analysis, and advice regarding the CEO and executive officer compensation to the Committee as well as director compensation surveys and advice. As required by SEC rules, the Committee has assessed the independence of McLagan and concluded that McLagan's work did not raise any conflicts of interest.

### ***2012 Survey Peer Group Construction and Survey Results***

The 2012 Survey benchmarked compensation for our executive officers against a peer group of 12 publicly traded insurance companies and included a review of the Company's annual and long-term incentive compensation plan design. McLagan used 2011 Company and peer company compensation data in its preparation of the 2012 Survey. The Committee utilized the 2012 Survey results in assessing the level of salary and bonuses paid our executives and approving changes to the compensation levels and annual and long-term compensation plans for our executive officers in 2013.

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The 12 companies in the 2012 Survey were all publicly traded companies in the insurance industry. In selecting the peer companies McLagan, along with the Committee, selected publicly traded insurance companies that were compatible in size, industry, competitors, and business complexity.

The benchmark peer companies selected in the 2012 Survey group were:

American Safety Insurance Holdings, Ltd.	Employers Holdings, Inc.
Baldwin & Lyons, Inc.	Global Indemnity PLC
Eastern Insurance Holdings, Inc.	National Interstate Corporation
EMC Insurance Group Inc.	SeaBright Insurance Holdings, Inc.
Safety Insurance Group	RLI Corp.
Donegal Group	Hallmark Financial Services

In addition to compensation data specifically relating to the twelve companies named above, McLagan also used market compensation data from published survey sources relating to companies in the insurance and financial services industry in developing the recommendations contained in the 2012 Survey.

The table below summarizes the results of the 2012 Survey, using the 2011 base salary, targeted total cash compensation and targeted total compensation for each of our named executive officers based on their positions at the time as a percentage of the 50th percentile of the peer company compensation.

Executive	2011	2012 Survey Multiple of Median 2011	2011
	Base Salary	Total Cash Compensation (1)	Total Compensation (2)
C. Allen Bradley, Jr.	88%	136%	118%
G. Janelle Frost	74%	89%	72%
Michael F. Grasher (3)	75%	83%	N/A
Geoffrey R. Banta	91%	111%	98%
Vincent J. Gagliano (4)	N/A	N/A	N/A
Craig P. Leach	78%	105%	87%

1. Includes actual 2011 base salary and actual annual incentive.
2. Includes actual 2011 base salary and actual annual incentive award and target long-term incentive award.
3. Mr. Grasher did not join the Company until May 2013, thus his salary and compensation used in the table above relate to 2013.
4. Mr. Gagliano's position as Chief Technology Officer was not benchmarked as part of the 2012 Survey, thus there is no relevant data for this position in the survey. The Committee intends to benchmark this position when it authorizes the next compensation survey in 2014.

**Components of Executive Compensation Program and Policies**

The principal components of our executive compensation program provide for a combination of fixed and variable compensation. In addition to the principal components, we also provide our executive officers with broad-based employee benefits, certain severance benefits and other limited perquisites. As described in more detail below, these principal components, which we refer to as our executive officer's total direct compensation are:

*Base Salary* Paid in cash. Established annually, upon promotion, or following a change in job responsibilities based on market data, internal pay equity and level of responsibility, experience, expertise and performance.



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*Annual Incentive Compensation* Paid in cash. Award granted annually based in part on Company GAAP financial performance against pre-established annual GAAP financial targets set by the Committee, as well as certain qualitative leadership objectives for each executive.

*Long-Term Equity-Based Incentive Compensation* Paid in Company stock. Performance-based awards granted annually. The performance-based awards are subject to a three-year performance period with the financial metric measured against a peer group of property casualty companies and the total shareholder return of the Company measured against an appropriate index. Certain executives also receive time-based awards.

The table below highlights the annualized base salary for each of our named executive officers, and the target award value of the annual incentive compensation and long-term incentive compensation granted to our named executive officers during 2013, as well as the percentage of total target compensation represented by each component. The actual base salary received, the actual annual incentive compensation award and the long-term incentive compensation value is also reflected in *Executive Compensation Summary Compensation Table*, which also includes certain other components of compensation.

Executive	2013 Base Salary		2013 Target AIP Award		2013 Target LTIP Award		2013 Total Target Compensation
	\$	% of Total	\$	% of Total	\$	% of Total	
C. Allen Bradley, Jr.	\$ 530,000	37%	\$ 530,000	37%	\$ 371,000	26%	\$ 1,431,000
G. Janelle Frost (1)	\$ 260,000	49%	\$ 164,000	31%	\$ 104,000	20%	\$ 528,000
Michael F. Grasher (2)	\$ 250,000	71%	\$ 100,000	29%	N/A	N/A	\$ 350,000
Geoffrey R. Banta	\$ 335,000	44%	\$ 234,500	31%	\$ 184,250	25%	\$ 753,750
Vincent J. Gagliano	\$ 170,000	51%	\$ 102,000	31%	\$ 59,500	18%	\$ 331,500
Craig P. Leach	\$ 263,000	53%	\$ 157,800	32%	\$ 78,900	15%	\$ 499,700

1. Ms. Frost's base salary was further increased in September 2013 to \$300,000 upon her promotion as President of the Company.
2. Mr. Grasher did not participate in the annual incentive plan, or the long-term incentive plan due to the fact that he joined the Company in May 2013. His 2013 Target AIP Award value represents the actual award he received under a separate bonus program, which included specific individual objectives.

**Compensation Components**

*Base Salary.* Base salaries are determined on the basis of management responsibilities and level of experience, as well as internal and market comparisons. In setting base salaries for our executive officers, the Committee seeks to provide a reasonable level of fixed compensation that we believe is competitive with base salaries for comparable positions at similar companies. In February 2013, the Committee reviewed the 2012 Survey as it related to the base salaries of our executive officers. Based on this review, the Committee reconfirmed its decision initially made in 2009 to target the 50th percentile of base salaries for comparable executive positions at the peer companies, with the goal of reaching the appropriate levels incrementally over several years. At the request of the Committee, Mr. Bradley, our chief executive officer, makes recommendations annually with respect to changes in base salary for our executive officers, other than changes in his compensation. Neither our chief executive officer nor any other executive officer participates in the Committee's decisions regarding the base salaries of our executive officers. Additional information regarding the base salary decisions made for 2013 is included below under the caption *2013 Compensation Base Salary*.

*Annual Incentive Compensation.* The Committee believes that annual incentive compensation is a key element of the total compensation of each executive officer. The Committee also believes that placing a significant portion of executive compensation at risk each year, subject to the results of Company and individual performance, appropriately motivates executives to achieve the Company's financial and operational objectives,

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thereby enhancing shareholder value. As an executive or other key employee progresses to greater levels of responsibility within the Company, the Committee believes that the annual incentive awards should represent an increasing portion of total potential cash compensation. For 2013, the Committee implemented a plan substantially similar to the annual incentive plan used for the past several years, except that the Committee established a threshold for the quantitative Company performance goals. In prior years, the Company had established only a target and a maximum. Under the annual incentive plan, cash awards are made based on achievement of Company financial and operational objectives and individual performance goals. In establishing the Company financial and operational objectives, the Committee approved objectives for return on average equity (calculated on a GAAP basis), gross premiums written and net combined ratio. In setting the target awards for the executive officers, the Committee considered that these targets were higher, on a percentage basis, than target awards reflected in the 2012 Survey. The Committee also noted that this was appropriate given that base salary levels were all lower than the peer median and that the Company's long-term incentive plan, which was first implemented for calendar year 2012 and which is earned over a 3 year period, will not begin to pay-out to the executives until 2015. Additional information regarding the annual incentive program for 2013 is included below under the caption *2013 Compensation 2013 Annual Incentive Compensation*.

*Long-term Incentive Compensation.* Three of our executive officers, including our chief executive officer, were employed by the Company at the time of our initial public offering in 2005 and received significant stock option grants at that time. Those awards vested ratably over five years and fully vested in November 2010. These executive officers have not received additional option grants since the initial public offering, and we have made limited option grants to new executive officers. No stock options or other equity awards were made in 2010 or 2011 to our executive officers.

Beginning in July 2011, the Committee began working with its consultants to develop a new long-term incentive compensation program, or LTIP, to reward performance, encourage executives to remain with the Company and attract necessary talent to the Company. Specifically, the Committee noted that the Company's total compensation was below, and for some positions significantly below, the 50th percentile reflected in the survey data provided by its consultant at the time, primarily as a result of the lack of a long-term incentive program. The Committee was concerned that the Company's compensation program could adversely affect the Company's ability to attract and retain executives due to the significantly lower levels of targeted total compensation of the Company's executives.

In designing the LTIP, the Committee believed that the program should be substantially performance based and compare the Company's operating performance to a peer group of companies engaged in the workers' compensation insurance industry. The Committee also believed that the performance period should reflect the long-term nature of the workers' compensation claims development process. The Committee considered that over several years the Company had demonstrated outstanding operating performance and consistently outperformed the workers' compensation industry generally. As a consequence, the Committee's plan design considered this historical performance when determining the level of performance required for maximum payout under the LTIP. Additionally, the Committee believed that awards under the LTIP should provide for a reduced payout if the Company's total shareholder return underperformed the industry. The Committee considered this feature to be appropriate to align the interests of the executive officers with those of the Company's shareholders.

In March 2012, our Committee approved a new LTIP under which target awards are established annually for each executive officer based on a percentage of the executive's base salary. The target award is then delivered through one or both of the following awards: a performance-based award and a time-based award (only awarded to certain executives). The performance-based award is payable in shares of common stock, with the number of shares delivered determined based on the Company achievement of certain quantitative targets measured over a three-year performance period. The time-based award is represented by restricted stock that vests on the third anniversary of the grant date, conditioned on continued employment with the Company. As described below, all executive officers receive the performance-based award but only certain executives receive restricted stock. Awards under the LTIP are made pursuant to our 2012 Equity and Incentive Compensation Plan, which was

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approved by our shareholders at our annual meeting in 2012. The Committee intends to make LTIP awards on an annual basis, but may adjust the performance factors, the weighting of those factors, the mix of performance-based and time-based awards and other aspects of the LTIP as it evaluates the effectiveness of the program over time.

For those executives that received significant stock option awards in our IPO, LTIP awards since 2012 have been comprised solely of performance-based awards. Those executive officers who did not receive significant option awards in the IPO, which include most of the Company's newer executives, received a combination of performance-based awards and time-based restricted stock awards. The Committee believes that use of time-based restricted stock with three-year cliff vesting serves an important retention function for newer executives, and also provides an immediate alignment with shareholder interests. Additional information regarding the LTIP awards granted in 2013 is included below under the caption *2013 Compensation Long Term Incentive Compensation*.

The 2012 Survey reaffirmed the importance of the LTIP in making the Company's executive compensation program competitive with peers. McLagan also reviewed the design of the LTIP and advised the Committee that the plan design provided appropriate performance and retention incentives for executive management.

The LTIP awards partially vest upon death, disability, retirement (for performance-based awards only) or a termination of employment without cause or for good reason following a change in control of the Company. These awards do not vest solely upon a change in control. To qualify for partial vesting upon retirement, an executive officer must be at least age 60, have 10 or more years of service with the Company and not have accepted a substantial employment or consulting arrangement with another company engaged in the workers' compensation insurance industry. As described below, in the Clawback Policy section, all LTIP awards are subject to possible reimbursement in the event of a financial statement restatement and are intended to be governed by the incentive compensation recovery regulations to be established by the SEC under the Dodd Frank Act.

The Committee does not have a specific policy addressing the cumulative value of prior equity awards in making future awards. However, our Committee intends to continue to make appropriate executive compensation decisions annually, so that our executives receive a total compensation package that is both competitive, and has a significant portion of compensation at risk. The increase in the value of restricted stock awards is directly linked to an increase in shareholder return, and unvested awards are conditioned on continued employment. The payment under any performance-based awards is tied to the Company meeting or exceeding quantitative performance objectives. The Committee believes, as a general matter, that positive results with respect to prior incentive awards should not negatively impact future compensation decisions.

*Employee Benefits.* We do not provide our executives or other employees with defined pension benefits, supplemental retirement benefits, post-retirement payments, or deferred compensation programs. We do provide a 401(k) defined contribution plan that is available to all employees. We match 50% of employee contributions up to 4% of compensation for participating employees, subject to limitations under applicable law. Our executives and other employees are fully vested in Company contributions to this plan after five years. We also provide health, life, and other insurance benefits to our executives on the same basis as our other full-time employees.

*Severance and Change-in-Control Benefits.* We have employment agreements with each of our executive officers. These employment agreements provide each executive officer with severance compensation consisting of cash severance payments paid in monthly installments and continued health benefits for a period of 12 months (18 months for our chief executive officer), in the event that an executive's employment is terminated by us without cause or by the executive under certain circumstances. The cash severance payment for the covered executives (other than our chief executive officer) is an amount equal to the officer's then current annual base salary plus the average of the three most recent annual incentive bonuses received by the executive. For our chief

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executive officer, the cash severance payment is one and one-half times the amount described in the preceding sentence. These employment agreements also provide that the terminated executive will not engage in activities that are competitive with our business for 12 months (18 months for our chief executive officer). For additional information regarding the employment agreements with our executives, see *Executive Compensation Employment Agreements*.

The Committee believes that these benefits are necessary and appropriate in order to attract and retain qualified executive officers as these benefits are generally made available by other companies. In addition, the Committee recognizes that it may be difficult for our executive officers to find comparable employment in a short period of time. Therefore these benefits address a valid concern, making an executive position with our Company more attractive. These issues are particularly significant to us, given that our corporate headquarters is not located in a major metropolitan area and it is unlikely that our executives could secure comparable employment without relocating to another city. The Company does not provide excise tax gross-ups under any change in control arrangement.

*Executive Perquisites.* Executive compensation also includes a limited number of perquisites that have historically been provided to our executives and that the Committee believes enhance our ability to attract and retain qualified executives. These perquisites include car allowances, disability insurance, reimbursement for annual medical examinations, and limited club memberships. Our executive officers are also permitted to accrue unused vacation on a more favorable basis than that available to other Company employees. Our executive officers are permitted to accrue up to 200 hours of vacation, a limit slightly higher than the 180 hour maximum available to employees with more than ten years of service. The Committee believes that this policy is appropriate given that the management responsibilities of our executive officers often do not permit them the flexibility to use their vacation time on an annual basis. The Company does not provide tax gross-ups on these perquisites or additional benefits. For additional information regarding perquisites provided to our executives, see *Executive Compensation All Other Compensation*.

### ***Compensation-Related Policies***

*Clawback Policy.* The Committee has adopted a formal policy (Clawback Policy) regarding recovery of incentive awards for fiscal years for which financial results are later restated. The Clawback Policy applies to the Company's 2013 annual and long-term incentive compensation awards. Under the policy, the Committee will consider any financial statement restatement in exercising its discretion in connection with determining the payout of incentive and other compensation awards for executives in the periods following such a financial statement restatement.

*Stock Ownership Guidelines.* The Committee has approved stock ownership guidelines for our executive officers. The target ownership for our chief executive officer is a dollar amount equal to three times his average base salary and annual incentive bonus for the three immediately preceding calendar years. The target ownership for each of our other executive officers is a dollar amount equal to two times their average base salary for the three immediately preceding calendar years (or, if less, all complete calendar years employed by the Company). All forms of Company equity, whether vested or unvested, including common stock, restricted stock, and stock options, are counted for purposes of determining compliance with the ownership guidelines.

In determining whether an executive meets the applicable guideline, the value of shares of common stock, including restricted stock and shares purchased by executives in the open market, is based on the closing price of our common stock on the last trading day of the most recent calendar year. In addition, the value of stock options is equal to the greater of (a) the value of the award on the grant date calculated in accordance with the Black-Scholes-Merton option pricing model, and (b) the difference between the applicable exercise price and the closing price of our common stock on the last trading day of the most recent calendar year.

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Until an executive officer meets the ownership target provided under the guidelines, he or she is required to retain all shares received under the Company's compensation plans, except for shares sold to pay the exercise price, if any, and to satisfy tax obligations. After an executive meets the applicable guideline, he or she is required to retain 20% of any shares obtained as the result of exercising a stock option or vesting of a restricted stock award, net of shares sold to pay the exercise price, if any, and to satisfy tax obligations.

The following table sets forth for each named executive officer the applicable stock ownership guideline and equity ownership as of December 31, 2013, measured in dollars, using the guideline methodology described above. As noted in the table, each of our named executive officers exceeds his or her ownership guideline.

Executive	Stock Options	Other Stock	Total Ownership	Stock Ownership Guideline
C. Allen Bradley, Jr.	\$ 8,941,560	\$ 4,153,966	\$ 13,095,526	\$ 3,256,535
G. Janelle Frost	\$ 1,989,750	\$ 1,581,212	\$ 3,570,926	\$ 498,333
Michael F. Grasher	\$ 0	\$ 1,104,026	\$ 1,104,026	\$ 500,000
Geoffrey R. Banta	\$ 2,052,570	\$ 485,337	\$ 2,537,907	\$ 646,000
Vincent J. Gagliano	\$ 286,596	\$ 1,133,806	\$ 1,420,402	\$ 340,000
Craig P. Leach	\$ 1,612,073	\$ 42,873	\$ 1,654,947	\$ 514,583

*Internal Revenue Code Section 162(m)*. Section 162(m) of the Internal Revenue Code provides that compensation in excess of \$1 million paid to the chief executive officer or to any of the other three most highly compensated executive officers (other than the chief financial officer) of a public company is not deductible for federal income tax purposes unless the compensation qualifies as performance based compensation. The performance-based awards granted as part of the 2013 LTIP and the portion of the 2013 annual incentive award based on quantitative Company performance goals are intended to qualify as performance based compensation. The Committee reviews on an annual basis the potential impact of this deduction limitation on executive compensation.

*Dodd Frank Act*. The Board and Committee have discussed the requirements of the Dodd Frank Act, including the provisions relating to the recovery of incentive compensation for fiscal years for which financial results are later restated (See Clawback Policy). The SEC has not issued regulations implementing these provisions of Dodd Frank. In 2012, the Committee adopted a policy for the recovery of incentive awards in the event the Company is required to file a restatement of its financial statements with either the SEC or any state insurance authority. This policy is incorporated in both the annual and long-term incentive compensation award agreements for 2013, with each of the Company's executive officers, for awards granted subsequent to the adoption of the policy. The Committee expects to modify this policy once the SEC issues regulations with respect to the recovery of incentive compensation under the Dodd Frank Act, if necessary.

**2013 Compensation**

*Base Salary*. As discussed above, the Committee has determined to target the median of base salaries for comparable executive positions, as reflected by the 2012 Survey, for the base salaries of the Company's executive officers. As a result of its review, the Committee determined that the base salaries of our named executive officers were below the median. The Committee has established a goal of reaching the appropriate levels incrementally over a period of years and the modest base salary increases applicable to most of our named executive in 2013 have helped move these executive officers closer to the median. With respect to Mr. Gagliano, his base salary was increased in January 2013 as part of his promotion to Executive Vice President and Chief Technology Officer. As that position was not benchmarked in the 2012 Survey, the Committee considered his new position as a member of the executive management team and his increased responsibilities and job functions when setting his base salary for 2013.



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The following adjustments were made to the base salaries of the named executive officers effective January 2013, except for Mr. Grasher, who joined the Company in May 2013:

Executive	2012	2013	Percentage Increase	2011
	Base Salary	Base Salary		Base Salary: 2012 Survey Multiple of Median
C. Allen Bradley, Jr.	\$ 515,000	\$ 530,000	2.9%	88%
G. Janelle Frost (1)	\$ 250,000	\$ 260,000	4.0%	74%
Michael F. Grasher (2)	N/A	\$ 250,000	N/A	79%
Geoffrey R. Banta	\$ 325,000	\$ 335,000	3.1%	91%
Vincent J. Gagliano	\$ 140,000	\$ 170,000	21.0%	N/A
Craig P. Leach	\$ 255,000	\$ 263,000	3.1%	78%

1. Ms. Frost's salary was further increased in September 2013 to \$300,000 upon her promotion to President of the Company.

2. Unlike the other executives, Mr. Grasher's multiple of the median is based on his 2013 base salary.

*2013 Annual Incentive Compensation.* In February 2013, the Committee approved target award opportunities under our annual incentive compensation plan for each named executive officer, except Mr. Grasher who was not yet with the Company. The Committee set the 2013 target awards for each executive at the same levels that were set for 2012, based on the 2012 Survey that showed that these target award levels were competitive to the median of the peer group.

The target awards were set at a percentage of the individual officer's base salary (which is pro-rated to reflect salary changes during the year) and were subject to achievement of Company and individual performance goals. For 2013, the Committee established Company performance goals under the following metrics: GAAP return on average equity, GAAP net combined ratio and GAAP gross premiums written. The Company performance goals are the same for each of our executive officers, however the goals were weighted differently for each executive officer based on the Committee's assessment of each executive's ability to influence the outcome of the particular objective. The Committee also established individual performance goals for each executive officer, including our chief executive officer. The individual performance goals established were principally qualitative rather than quantitative.

The following table sets forth the target award opportunity for each named executive officer, other than Mr. Grasher, and the aggregate weighting of Company and individual performance goals for 2013.

Executive	Target Annual Incentive Opportunity (% of base salary)	Weighting of Performance Goals				Individual Performance
		CR	GPW	ROE	Company Performance	
C. Allen Bradley, Jr.	100%	15%	15%	15%	55%	
G. Janelle Frost	60%	12.5%	5%	12.5%	30%	
Michael F. Grasher	N/A	N/A	N/A	N/A	N/A	
Geoffrey R. Banta	70%	12.5%	10%	12.5%	35%	
Vincent J. Gagliano	60%	10%	10%	10%	30%	
Craig P. Leach	60%	10%	15%	5%	30%	

The weighting of performance goals for our chief executive officer differs from the weighting for the other named executive officers because the Committee believes that incentive compensation paid to our chief executive officer should have a more significant subjective component that measures his performance in meeting his individual goals, including leading the Company, in addition to achieving specified Company objective performance goals. The Committee believes that this approach appropriately incentivizes the chief executive officer to focus his efforts on the long-term performance of the Company.

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The following table sets forth the Company performance goals established under the 2013 annual incentive compensation plan and the results achieved.

Goal	Threshold	Target	Maximum	2013 Actual Result	Level of 2013 Achievement/Payout Percentage
Return on Average Equity	6.5%	8.0%	10.0%	10.9%	Maximum/150%
Gross Premiums Written	\$370 million	\$382 million	\$394 million	\$372 million	Above Threshold/58.3%
Net Combined Ratio	Less than 98.5%	Less than 95.5%	Less than 92.5%	90.0%	Maximum/150%

For each Company performance goal, no amount is earned if the threshold performance is not achieved. If the threshold is achieved, the executive officers are eligible to earn from 50% to 150% of the portion of the target bonus tied to that goal, with the award for that goal determined by the amount by which the Company exceeded the threshold performance.

Achievement of individual performance goals was determined for each of our named executive officers, other than those of our chief executive officer, by the Committee with input from our chief executive officer. The Committee evaluated the performance of our chief executive officer based on its assessment of his achievement of individual goals and his overall performance in leading the Company during 2013. The Committee, in determining the awards, took into consideration the exceptional financial performance of the Company in 2013. As with the Company performance goals, each named executive officer could earn between 0% and 150% of the target individual goals based on the level of achievement of the goals.

At its meeting in February 2014, the Committee approved annual incentive award payouts for our named executive officers as follows:

Executive	Award Earned for Company Performance	Award Earned for Individual Performance	Total Award	Percent of Target Award Earned	Percent of Total Cash Compensation
C. Allen Bradley, Jr.	\$ 284,849	\$ 437,250	\$ 722,099	136%	57.7%
G. Janelle Frost	\$ 110,468	\$ 122,993	\$ 233,461	142%	47.3%
Michael F. Grasher	N/A	N/A	N/A	N/A	N/A
Geoffrey R. Banta	\$ 145,157	\$ 117,250	\$ 262,407	112%	43.9%
Vincent J. Gagliano	\$ 60,911	\$ 63,750	\$ 124,661	122%	42.3%
Craig P. Leach	\$ 82,174	\$ 70,685	\$ 152,859	97%	36.8%

As noted above, our named executive officers received a portion of their annual incentive award as a result of the Company achieving above maximum performance for the return on average equity goal and the net combined ratio goal, and just above the threshold level of performance for the gross premiums written goal. In determining the total award payout, the Committee also considered the level of achievement of individual performance goals by each executive. Mr. Grasher, who joined the Company in May 2013, was not a part of the program and the Committee awarded him an annual bonus in the amount of \$100,000, based on the Committee's subjective assessment of his performance in meeting his objectives during 2013 and the Company's results.

**2013 Long-Term Incentive Compensation.** In February 2013, the Committee granted 2013 LTIP awards to our then executive officers in the form of performance-based awards and, for certain executives, time-vested restricted stock. The 2013 LTIP awards are governed by the 2012 Equity and Incentive Plan and the individual award agreements signed by the Company and each executive officer. In 2012, the Committee set an aggregate target value, which was a percentage of salary, for the 2012 LTIP awards for each named executive officer at an amount generally below the market median for the long-term compensation component of pay as shown in the 2012 Survey. The Committee considered this approach to be prudent given that the LTIP was new and that target awards could be adjusted in future periods. The target awards set by the Committee under the plan for 2013 were

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based on the same percentages as used in 2012. All of our executive officers received performance-based awards under our 2013 LTIP, except for Mr. Grasher who did not join the Company until May 2013, and only certain executives received restricted stock.

The following table sets forth the target value of the performance-based awards and the restricted stock awards that were approved by the Committee under the 2013 LTIP.

Name	Target Value of 2013 LTIP Awards (1)	Percentage of 2013 Base Salary	Target Value of Performance Based Awards (2)	Grant Date Value of Restricted Stock	Shares of Restricted Stock
C. Allen Bradley, Jr.	\$ 371,000	70%	\$ 371,000		
G. Janelle Frost	\$ 104,000	40%	\$ 57,200	\$ 46,943	1,367
Michael F. Grasher					
Geoffrey R. Banta	\$ 184,250	55%	\$ 184,250		
Vincent J. Gagliano	\$ 59,500	35%	\$ 32,725	\$ 26,854	782
Craig P. Leach	\$ 78,900	30%	\$ 78,900		

1. Represents the target value of the LTIP awards granted in 2013. This table does not include the value of grants of restricted stock received during 2013 by Ms. Frost and Mr. Gagliano in connection with their promotions and by Mr. Grasher in connection with his joining the Company. These special awards are described below and under *Executive Compensation Grants of Plan Based Awards*.
2. Subject to certain exceptions, the performance-based awards will be payable in shares of our common stock. In determining the number of shares of our common stock issuable as payment of the award, the value of each share of our common stock will be based on the volume weighted trading price per share of common stock for the 10 trading days immediately preceding the date the actual award is approved by the Committee. Accordingly, the number of shares underlying the performance-based awards is not determinable at this time.

*Performance-Based Awards.* The performance-based awards provide a target dollar amount that may be earned by the recipient, which amount will be paid in shares of our common stock, subject to certain limited exceptions. The amount earned under the performance-based award may be less than or greater than the target value set in the award. However, in no event may a recipient receive more than 150% of the target value under this performance-based award. The actual amount, if any, that a recipient will earn under the performance-based award is dependent on the Company's operating performance over a three-year period beginning on January 1, 2013 and ending December 31, 2015, relative to a designated performance peer group of insurance companies selected by the Committee. The companies selected were deemed by the Committee to be significant competitors to the Company in the workers' compensation markets in which it operates. This group differs from the peer group used in the 2012 Survey, which is made up of public insurance companies. The 16 companies selected as the performance peer group for the performance-based awards under the LTIP were:

Accident Fund Group	Employers Insurance Group
Alaska National Insurance Co.	FCCI Mutual Insurance Holding Company
Amerisure Mutual Insurance Company	FFVA Mutual Insurance Company
Bituminous Casualty Insurance	Great Western Casualty Company
Bituminous Fire and Marine Insurance	Louisiana Workers Compensation Corp.
Builders Insurance	National American Insurance Company
Builders Mutual Insurance Company	Tower Group Inc.
Eastern Insurance Holdings	West Bend Mutual Insurance Company

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The Committee selected three metrics to measure the Company's operating performance under the 2013 performance-based awards: statutory combined ratio (CR), statutory direct premiums written (DPW), and statutory total return on invested assets (TROIA). The Committee selected these measures as they were deemed to be significant benchmarks to the successful performance of the Company. The weightings for each of the measures were determined by the Committee in consultation with the CEO, and differ for each executive based on the primary responsibilities of the executive.

*Weightings of Measures for each Executive.* The following table shows the weightings for each executive officer for the various performance measures in the performance-based award:

Name	Target Value of Performance-Based Award	Combined Ratio Weighting (CR)	Growth in Direct Premiums Written Weighting (DPV)	Total Return of Invested Assets Weighting (TROIA)
C. Allen Bradley, Jr.	\$ 371,000	60%	30%	10%
G. Janelle Frost	\$ 57,200	50%	40%	10%
Michael F. Grasher	N/A	N/A	N/A	N/A
Geoffrey R. Banta	\$ 184,250	50%	40%	10%
Vincent J. Gagliano	\$ 32,725	50%	40%	10%
Craig P. Leach	\$ 78,900	50%	50%	0%

*Threshold Basis Points (TBP) used in Calculation of Awards.* In designing the performance-based award under the LTIP, the Committee recognized that the Company had demonstrated outstanding operating performance and consistently outperformed the workers' compensation industry, including the peer companies listed above. As a consequence, the Committee's award design considered this historical performance when determining the level of performance that would result in maximum payout under the performance-based awards. The Committee incorporated into the calculation of the award the concept of Threshold Basis Points (TBP). TBP is the amount by which the Company's performance for each measure must exceed the results of the performance peer group for the award to reach 2 times the target award. (The overall award is limited to 1.5 times the target compensation.) TBP is expressed in basis points. The first step in the calculation of the award is to compare the 2013 performance of the Company to that of the 16 performance peer group companies for the three measures (CR, DPW, TROIA) and to determine whether the TBP level for each measure has been achieved.

The TBP for each measure in 2013 were as follows:

CR	1,200 bp
DPW	500 bp
TROIA	20 bp

These results are then reduced if the total shareholder return (TSR) of the Company is more than 500 basis points lower than the total shareholder return of the average of 50% of the S&P Property Casualty Insurance Small Cap Index and 50% of the S&P Property & Casualty Insurance Mid Cap Index over the three-year period. The TSR measure cannot improve payouts under the plan but is only used to reduce payout when the Company TSR lags the index by more than 500 basis points. Although the TSR measure is the fourth measure in the award design and could therefore be weighted 25% in the award, it is instead weighted 37.5% or 1.5 times a normal weighting. The Committee believed such a weighting better aligned the interests of shareholders with that of executive management.

Payments under each performance-based award will be made in shares of common stock (rounded to the nearest whole share) equal to (a) the amount earned under the award divided by (b) the volume weighted trading price per share of common stock for the 10 trading days immediately preceding the date the value of the award is approved by the Committee.

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*Current Estimates of Potential Payout Value of Outstanding Performance-Based Awards.* The following table shows the estimated potential payout value of the performance-based awards granted in 2012 and 2013, as of September 30, 2013, based on the information currently available to the Company. These estimated values are presented for information purposes only, as the actual payout values will be determined following the end of the respective performance periods and will be impacted by the Company's performance during the remainder of the performance periods.

Executive	Target Value of Performance-Based Award	Current Performance Factor Applicable (1)	Estimated Award Value as of 12/31/2013
<b>C. Allen Bradley, Jr.</b>			
2012-2014 Performance Period	\$ 347,900	1.500	\$ 521,850
2013-2015 Performance Period	\$ 371,000	1.152	\$ 427,406
<b>G. Janelle Frost</b>			
2012-2014 Performance Period	\$ 64,000	1.121	\$ 71,773
2013-2015 Performance Period	\$ 57,200	1.148	\$ 65,684
<b>Michael F. Grasher</b>			
2012-2014 Performance Period	N/A	N/A	N/A
2013-2015 Performance Period	N/A	N/A	N/A
<b>Geoffrey R. Banta</b>			
2012-2014 Performance Period	\$ 169,950	1.500	\$ 254,925
2013-2015 Performance Period	\$ 184,250	1.148	\$ 141,122
<b>Vincent J. Gagliano</b>			
2012-2014 Performance Period	N/A	N/A	N/A
2013-2015 Performance Period	\$ 32,725	1.148	\$ 37,579
<b>Craig P. Leach</b>			
2012-2014 Performance Period	\$ 76,000	1.500	\$ 114,000
2013-2015 Performance Period	\$ 78,900	1.385	\$ 109,273

- The 2012-2014 performance period estimate at December 31, 2013 is based upon actual Company data for 2012 and the first nine months of 2013 and actual peer company data for 2012 and an estimate of peer company data for the first nine months of 2013. The 2013-2015 performance period estimate at December 31, 2013 is based upon actual Company data the first nine months of 2013 and an estimate of peer company data for the same period.

*LTIP Restricted Stock.* As described above, certain executive officers also received restricted stock awards under the 2013 LTIP. Subject to certain exceptions, the restrictions applicable to the shares awarded will lapse so long as the recipients continue to remain employed by us until March 11, 2016, the third anniversary of the date the award agreements were executed, subject to recoupment.

*Special Restricted Stock Awards for Certain Officers.* In addition to the regular LTIP awards, during 2013, the Committee made special, one-time grants of restricted stock to certain executive officers in connection with either a promotion or the recruitment of a new executive. Specifically, both Ms. Frost and Mr. Gagliano received shares of restricted stock in connection with their promotions, and Mr. Grasher received shares of restricted stock in connection with joining the Company in May 2013. These special grants were not part of our regular LTIP, and were granted in part as recognition of the increased level of responsibilities being undertaken by Ms. Frost and Mr. Gagliano, and to recruit Mr. Grasher. These awards will also assist these executives in maintaining their required level of stock ownership, and will serve as a retention tool due to the extended vesting periods. Unlike the restricted stock granted under our LTIP, which cliff vests on the third anniversary of the grant date, these awards vest ratably over a five-year period (for Mr. Gagliano and Mr. Grasher) and a seven-year period (for Ms. Frost). These special awards are reflected below under *Executive Compensation Grants of Plan Based Awards*.

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**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on that review and discussion, the Compensation Committee recommended to the Board of Directors of the Company that the Compensation Discussion and Analysis be included in the Company's 2013 Annual Report on Form 10-K and this proxy statement.

This report is submitted by the members of the Compensation Committee of the Board.

**Members of the Compensation Committee**

*Philip A. Garcia (Chair)*

*Jared A. Morris*

*Randy Roach*

**Table of Contents****EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table provides information regarding the compensation of our chief executive officer, our chief financial officer and the three other most highly paid executive officers for the years ended December 31, 2013, 2012, and 2011.

Name and Principal Position (1)	Year	Salary	Bonus	Stock Awards (2)	Non-Equity Incentive Plan Compensation (3)	All Other Compensation (4)	Total
C. Allen Bradley, Jr. Chairman and Chief	2013	\$ 527,500	\$	\$ 556,500	\$ 722,099	\$ 22,048	\$ 1,828,147
	2012	512,000		521,850	547,136	21,945	1,602,931
Executive Officer	2011	495,000	447,300			21,735	964,035
G. Janelle Frost President and Chief	2013	271,666		1,121,243	233,461	18,938	1,645,353
	2012	248,333		126,536	153,625	19,809	548,303
Operating Officer	2011	237,500	129,600			13,244	380,344
Michael Grasher Executive Vice President and Chief Financial Officer	2013	166,667	125,000(5)	898,590		32,861	1,223,118
Geoffrey R. Banta Executive Vice President, Corporate Development	2013	333,333		276,375	262,406	22,194	894,308
	2012	322,333		254,925	207,838	21,586	806,682
Operating Officer	2011	309,000	194,670			21,710	528,380
Vincent J. Gagliano Executive Vice President and Chief Technology Officer	2013	168,750		810,581	124,661	17,824	1,121,816
Craig P. Leach Executive Vice President, Sales and Marketing	2013	261,667		118,350	152,859	22,935	555,811
	2012	255,000		114,000	141,296	22,985	533,281
Operating Officer	2011	253,875	137,700			23,454	415,029

- Ms. Frost has served as our Chief Operating Officer since May 2013 and our President since September 2013. She previously served as our Executive Vice President and Chief Financial Officer. Mr. Banta has served as our Executive Vice President, Corporate Development since September 2013. He previously served as our President and Chief Operating Officer. Mr. Gagliano has served as our Executive Vice President and Chief Technology Officer since January 2013. He has been employed with our Company since 2001 but was not an executive officer prior to his promotion to his current position. Mr. Grasher has served as Executive Vice President and Chief Financial Officer since he joined our Company in May 2013.
- Long-term incentive compensation awards in 2013 consisted of performance-based awards and time-based restricted stock awards. Amounts in this column represent the grant date fair value of these awards calculated in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718 ( Topic 718 ). Pursuant to SEC rules, the amounts shown in this column exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information regarding the awards granted in 2013, see *Compensation Discussion and Analysis 2013 Long-Term Incentive Compensation*.

With respect to the performance-based awards granted in 2013, the amounts above reflect the probable payout percentage for the awards calculated in accordance with Topic 718. The grant date fair value is an estimate made for financial accounting purposes. Awards will be determined at the end of the three-year performance period based on actual results for both the Company and the peer group. There is no

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minimum payout under the performance-based awards. Assuming the performance-based awards will be paid out at the target level of 100%, the awards would be as follows: Mr. Bradley, \$371,000; Ms Frost, \$57,200; Mr. Banta, \$184,250; Mr. Gagliano, \$32,725; and Mr. Leach, \$78,900. Assuming that the performance-based awards will be paid out at the maximum payout level of 150%, the awards would be as follows:



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Mr. Bradley, \$556,500; Ms. Frost, \$85,800; Mr. Banta, \$276,375; Mr. Gagliano, \$49,088; and Mr. Leach, \$118,350. See *Grants of Plan-Based Awards*.

With respect to time-based restricted stock awards granted in 2013, the amounts included above reflect the grant date fair value. With respect to restricted stock granted as part of the Company's long-term incentive compensation program, 1,367 shares were granted to Ms. Frost and 782 shares were granted to Mr. Gagliano. These shares will cliff vest on the third anniversary of the grant date. No other named executive officer received a restricted stock award in 2013 as part of the long-term incentive compensation program. However, in addition to these awards, other grants of restricted stock were made in 2013. In connection with her promotion, Ms. Frost received 25,000 shares of restricted stock that vests ratably over seven years beginning with the first anniversary of the grant date. In connection with his promotion, Mr. Gagliano received 26,010 shares of restricted stock that will vest ratably over five years beginning with the first anniversary of the grant date. In connection with his joining our Company as Executive Vice President and Chief Financial Officer, Mr. Grasher received 26,137 shares of restricted stock that will vest ratably over five years beginning with the first anniversary of the grant date. See *Grants of Plan-Based Awards*.

3. Amounts in this column represent the amounts paid to our named executive officers under our performance-based annual incentive compensation program. See *Grants of Plan-Based Awards* below.
4. For 2013, includes compensation as described under *All Other Compensation* below.
5. Includes a \$25,000 cash bonus for incidental expenses associated with his move to Louisiana.

**All Other Compensation**

The following table provides information regarding each component of compensation included in the All Other Compensation column for 2013 in the Summary Compensation Table above.

Name	Car Allowance	Company 401(k) Contributions	Medical Examinations	Disability Insurance Premiums	Life Insurance premiums	Other	Total
C. Allen Bradley, Jr.	\$ 8,903	\$ 5,100		\$ 7,985	\$ 60	\$	\$ 22,048
G. Janelle Frost	8,903	5,100	3,132	1,743	60		18,938
Michael Grasher	5,955	2,158	7,413		60	15,275 (1)	30,861
Geoffrey R. Banta	8,903	5,100	3,661	4,470	60		22,194
Vincent J. Gagliano	9,045	4,604	4,115		60		17,824
Craig P. Leach	13,672	5,100	3,018	1,085	60		22,935

1. Represents relocation expenses.

**Employment Agreements**

We have employment agreements with each of our named executive officers. The term of each agreement (other than with Mr. Banta) is automatically extended for an additional consecutive one-year period at expiration unless either party provides notice not to extend the term at least 30 days prior to the applicable expiration date. Mr. Banta's employment agreement expires on December 31, 2014. The agreements provide for an annual base salary of not less than \$425,000 for Mr. Bradley, \$175,000 for Ms. Frost, \$250,000 for Mr. Grasher, \$355,000 for Mr. Banta, \$170,000 for Mr. Gagliano and \$235,000 for Mr. Leach. The named executive officers are also eligible to participate in the Company's incentive compensation plans and receive employee benefits provided to other executive officers of the Company.

Under these agreements, if we terminate the employment of one of our executive officers without cause, the terminated executive officer will be entitled to receive severance compensation consisting of cash paid in installments, and continued health benefits, for a period of 12 months (18 months for Mr. Bradley). The cash severance payment for the covered executives (other than Mr. Bradley) is an amount equal to the officer's then

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current annual base salary plus the average annual incentive award received by the executive in the prior three years. For Mr. Bradley, the cash severance payment is one and one-half times the amount described in the preceding sentence. The calculation of severance benefits under the employment agreement with each of our executive officers excludes any long-term incentive based compensation.

An executive officer is deemed to have been terminated without cause if:

we elect not to extend the terms of the employment agreement or we terminate the executive for any reason other than:

the conviction, guilty plea or plea of no contest to any felony, or to any crime of moral turpitude;

the willful misconduct of the executive officer, or the willful or continued failure by the executive officer (except as a result of disability or illness) to substantially perform his/her duties to the Company, in either case which has a material adverse effect on Company; or

the willful fraud or material dishonesty of the executive officer in connection with his performance of duties to the Company;

the executive terminates employment with us following:

a material reduction in authority, duties or responsibility;

a material reduction in base salary;

a material reduction in the executive's ability to earn an annual bonus that results in a material reduction in the total annual compensation the executive may earn;

a termination of employee benefits, unless the termination is applicable to all senior executives or is required under any applicable plan or law;

relocation of the executive's principal place of work to a location more than 35 miles from the executive's current principal place of work; or

a material breach of the employment agreement by us.

Each of our executive officers has agreed not to compete with us or solicit our employees, agents or policyholders without our prior written consent while they are employed by us. If one of our executive officers is terminated by us without cause, the prohibition on engaging in competitive activities or soliciting our employees, agents or policyholders extends for a period of 12 months (18 months for our chief executive officer) after the date of termination. If an executive officer is terminated by us for cause, the executive officer terminates employment other than for one of the reasons specified above, or if an executive officer elects not to renew the term of the employment agreement, we have the option to extend the restriction on engaging in competitive or solicitation activities for a period of 12 months (18 months for our chief executive officer) after the date of termination or non-renewal by (a) delivering a written notice to the executive officer within 180 days after termination or non-renewal and (b) paying the executive officer the severance compensation provided under the employment agreement.

**Equity Incentive Plans**

The AMERISAFE, Inc. 2012 Equity and Incentive Compensation Plan (the 2012 Incentive Plan ) was approved by our shareholders in June 2012 and is administered by our Compensation Committee. The 2012 Incentive Plan permits awards in the form of option rights, appreciation rights, restricted shares, restricted stock units, cash incentive awards, performance shares and units. Options granted under the 2012 Incentive Plan are required to have an exercise price of not less than the fair market value of our common stock on the grant date. The maximum number of shares of our common stock that may be issued pursuant to equity awards under the 2012 Incentive Plan is 500,000 shares. As of April 17, 2014, there were 413,079 shares of our common stock were available for further issuance under the 2012 Incentive Plan. See *Equity Compensation Plan Information*.

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It is our Company’s policy to award grants under our 2012 Incentive Plan only during periods in which the Company’s executives and other employees are normally permitted to buy and sell the Company’s securities under our Company’s securities trading policy.

Agreements evidencing awards may provide for a partial acceleration of vesting if a grantee’s employment is terminated by the Company without cause (as defined in the award agreement) or by the grantee for good reason (as defined in the award agreement) following a change in control of our Company. A change in control will be deemed to have occurred under the 2012 Incentive Plan if:

a person or group acquires 35% or more of the Company’s then outstanding voting securities, subject to certain exceptions;

individuals who constitute the Board as of the effective date of the 2012 Incentive Plan cease for any reason (other than death or disability) to constitute at least a majority of the Board, unless their replacements are approved as described in the 2012 Incentive Plan;

there is a consummation of a merger, consolidation or similar corporate transaction that results in an actual change in ownership of the Company; or

the Company’s shareholders approve a complete liquidation or dissolution of the Company.

Grantees of time-based restricted stock and performance-based awards are entitled to accelerated vesting if the grantee’s employment is terminated in connection with a change in control or due to death or disability (and retirement for performance-based awards only), in each case as defined in the award agreement, as follows:

<b>Date of Termination</b>	<b>Applicable Percentage</b>
Within six months of the grant date or commencement of performance period	0.0%
After six months following the grant date but within 18 months following the grant date or commencement of performance period	33.3%
After 18 months following the grant date but within 30 months following the grant date or commencement of performance period	66.6%
After 30 months following the grant date or commencement of performance period	100.0%

In any event, a grantee of a performance-based award will only receive payment for an award after the performance period has ended and the awards are determined and paid to all other grantees.

**Table of Contents****Grants of Plan-Based Awards**

In 2013, under our long-term incentive compensation program, each of our named executive officers received performance-based awards (other than Mr. Grasher, who joined the Company in May 2013) and three of our named executive officers received restricted stock grants. See *Compensation Discussion and Analysis 2013 Compensation*. The following table contains information regarding grants of plan-based awards to our named executive officers in the year ended December 31, 2013.

Name	Board or Committee Approval Date	Grant Date (1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2)			Estimated Future Payouts Under Equity Incentive Plan Awards (3)			All Other Stock Awards: Number of Shares of Stock or Units (4)	Grant Date Fair Value of Stock Awards (5)
			Threshold	Target	Maximum	Threshold	Target	Maximum		
C. Allen Bradley, Jr.	02/25/2013	03/08/2013	\$ 530,000	\$ 795,000	\$ 371,000	\$ 556,500			\$	
G. Janelle Frost	02/25/2013	03/11/2013	164,000	246,000	57,200	85,800				
	02/25/2013	03/11/2013					1,367	46,943		
	10/28/2013	11/04/2013					25,000	988,500		
Michael Grasher	04/29/2013	05/03/2013					26,137	898,590		
Geoffrey R. Banta	02/25/2013	03/11/2013	234,500	351,750	184,250	276,375				
Vincent J. Gagliano	02/26/2013	02/26/2013					26,010	746,227		
	02/25/2013	03/11/2013	102,000	153,000	32,725	49,088				
	02/25/2013	03/11/2013					782	26,854		
Craig P. Leach	02/25/2013	03/11/2013	157,800	236,700	78,900	118,350				

1. These awards were approved by the Compensation Committee. The grant date for each award is the date on which the respective award agreement was executed.
2. Reflects the target and maximum dollar amounts payable under our annual incentive plan. The actual payment will be determined by the performance criteria described under *Compensation Discussion and Analysis 2013 Annual Incentive Compensation*.
3. Reflects the target and maximum dollar amounts payable under our long-term performance-based awards. Actual payments under each performance-based award will be made in shares of common stock (rounded to the nearest whole share) equal to (a) the amount earned under the award divided by (b) the volume weighted trading price per share of common stock for the 10 trading days immediately preceding the date the value of the award is approved by our Compensation Committee. The actual payout will be determined by the performance criteria described under *Compensation Discussion and Analysis 2013 Long-Term Incentive Compensation*.
4. Represents shares of restricted stock. The terms of these grants are described under *Compensation Discussion and Analysis 2013 Long-Term Incentive Compensation*.
5. Represents the grant date fair value determined pursuant to FASB ASC Topic 718, based on the closing price of our common stock on the grant date as follows: February 26, 2013 (\$28.69); March 8, 2013 (\$34.22); March 11, 2013 (\$34.34); May 3, 2013 (\$34.38); and November 4, 2013 (\$39.54). With respect to performance-based awards, amounts reflect the probable payout percentage for the awards calculated in accordance with Topic 718. The grant date fair value is an estimate made for financial accounting purposes. Awards will be determined at the end of the three-year performance period based on actual results for both the Company and the peer group.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table contains information regarding outstanding equity awards held by our named executive officers as of December 31, 2013.

Name	Option Awards				Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (3)
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (1)	Market Value of Shares or Units That Have Not Vested (2)	
C. Allen Bradley, Jr.	269,000		\$ 9.00	11/17/2015		\$	\$ 718,900
G. Janelle Frost					27,743	1,171,864	121,200
	75,000		15.71	11/10/2018			
Michael Grasher					26,137	1,104,027	
Geoffrey R. Banta	61,750		9.00	11/17/2015			354,200
Vincent J. Gagliano	7,600	3,800	18.70	11/19/2019	26,792	1,131,694	32,725
Craig P. Leach	48,498		9.00	11/17/2015			154,900

1. With respect to Ms. Frost, 1,376 shares of restricted stock will become non-forfeitable on March 22, 2015, 1,367 shares of restricted stock will become non-forfeitable on March 11, 2016, and 3,571 shares of restricted stock will become non-forfeitable on each of the first seven anniversaries of the grant date (November 4, 2013). With respect to Mr. Grasher and Mr. Gagliano, one-fifth of each executive's shares of restricted stock will become non-forfeitable on each of the first five anniversaries of the grant date (May 3, 2013 for Mr. Grasher and February 26, 2013 for Mr. Gagliano).
2. Represents the value of the shares of restricted stock based on a price of \$42.24, the closing price of our common stock on December 31, 2013.
3. Represents the value of the performance-based awards assuming that the target level of performance is achieved. Payments under each performance-based award will be made in shares of common stock (rounded to the nearest whole share) equal to (a) the amount earned under the award divided by (b) the volume weighted trading price per share of common stock for the 10 trading days immediately preceding the date the value of the award is approved by our Compensation Committee. The actual payout will be determined by the performance criteria described under *Compensation Discussion and Analysis 2013 Long-Term Incentive Compensation*.

**Table of Contents****Option Exercises and Stock Vested**

The following table provides information regarding the exercise of stock options held by our named executive officers during the year ended December 31, 2013.

Name	Option Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (1)
C. Allen Bradley, Jr.	150,000	\$ 3,866,775
G. Janelle Frost	19,000	610,360
Michael Grasher		
Geoffrey R. Banta	42,000	1,147,422
Vincent J. Gagliano	3,800	55,132
Craig P. Leach		

1. Value based on market value of our common stock on the dates of exercise, less the applicable exercise price.

**Employment Termination and Change-in-Control Benefits**

The table below quantifies potential compensation that would have become payable to each of our named executive officers under employment agreements, annual and long-term incentive compensation award agreements and Company plans and policies (as in effect on December 31, 2013) if their employment had terminated on December 31, 2013, given the executive officer's base salary on that date and the closing price of our common stock on December 31, 2013. In addition, the table quantifies the compensation that would have become payable to each of our named executive officers assuming that a change in control of the Company had occurred on December 31, 2013. For additional information regarding (a) the circumstances in which our executive officers would be entitled to severance compensation, see *Executive Compensation Employment Agreements* and (b) the acceleration of vesting of equity awards, see *Executive Compensation Equity Incentive Plans*.

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Due to the factors that may affect the amount of any benefits provided upon the events described below, any actual amounts paid or payable may be different than those shown in this table. Factors that could affect these amounts include the date the termination event occurs, the base salary of an executive on the date of termination of employment and the price of our common stock when the event occurs.

	Cash Severance Payments (1)	Healthcare Premiums (2)	Acceleration of Equity Awards (3)	Total
<b>C. Allen Bradley, Jr.</b>				
Voluntary Termination	\$	\$	\$	\$
Termination with Cause				
Termination without Cause or for Good Reason (prior to a Change in Control)	1,347,975	27,784		1,375,759
Termination without Cause or for Good Reason (following a Change in Control)	1,347,975	27,784	123,654	1,499,413
Death or Disability			123,654	123,654
Retirement			123,654	123,654
Change in Control				
<b>G. Janelle Frost</b>				
Voluntary Termination				
Termination with Cause				
Termination without Cause or for Good Reason (prior to a Change in Control)	383,133	1,016		384,149
Termination without Cause or for Good Reason (following a Change in Control)	383,133	1,016	53,908	438,057
Death or Disability			53,908	53,908
Retirement			34,663	34,663
Change in Control				
<b>Michael Grasher</b>				
Voluntary Termination				
Termination with Cause				
Termination without Cause or for Good Reason (prior to a Change in Control)	400,000	23,545		423,545
Termination without Cause or for Good Reason (following a Change in Control)	400,000	23,545		423,545
Death or Disability				
Retirement				
Change in Control				
<b>Geoffrey R. Banta</b>				
Voluntary Termination				
Termination with Cause				
Termination without Cause or for Good Reason (prior to a Change in Control)	481,335	9,722		491,057
Termination without Cause or for Good Reason (following a Change in Control)	481,335	9,722	61,411	552,468
Death or Disability			61,411	61,411
Retirement			61,411	61,411
Change in Control				
<b>Vincent J. Gagliano</b>				
Voluntary Termination				
Termination with Cause				
Termination without Cause or for Good Reason (prior to a Change in Control)	210,250	20,859		231,109
Termination without Cause or for Good Reason (following a Change in Control)	210,250	20,859	30,855	261,964
Death or Disability				



Retirement Change in Control	89,452	89,452
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	Cash Severance Payments (1)	Healthcare Premiums (2)	Acceleration of Equity Awards (3)	Total
<b>Craig P. Leach</b>				
Voluntary Termination				
Termination with Cause				
Termination without Cause or for Good Reason (prior to a Change in Control)	366,457	23,859		390,315
Termination without Cause or for Good Reason (following a Change in Control)	366,457	23,859	26,297	416,613
Death or Disability			26,297	26,297
Retirement			26,297	26,297
Change in Control				

1. Cash severance is payable in installments over 12 months (18 months for Mr. Bradley).
2. Represents COBRA health insurance premiums payable on behalf of the executives following termination of employment for a period of 12 months (18 months for Mr. Bradley).
3. Performance-based awards and time-based restricted stock awards granted under the 2012 Incentive Plan will partially vest upon death or disability (and retirement for performance-based awards only) and also partially vest if the recipient's employment is terminated without cause or for good reason following a change in control. See *Executive Compensation Equity Incentive Plans*. The dollar amounts in this column represent the value of unvested stock options and the value of restricted stock that would vest on December 31, 2013 at \$42.24 per share, the closing price of our common stock on December 31, 2013. With respect to the performance-based awards, the amounts above reflect partial vesting of the awards at the target level. A grantee of a performance-based award will receive any payment under the award after the performance period has ended and the amount of the award is determined.

**Certain Relationships and Related Transactions**

*Policy.* The Company has adopted a written policy regarding the approval of any transaction or series of transactions in which the Company and a related party have an interest. A related party is one of the Company's executive officers, directors, director nominees, a person owning more than 5% of any class of the Company's securities, an entity in which any of such persons is employed or is a partner or principal or an immediate family member of such a person. Related party transactions involving \$50,000 or more are required, when circumstances permit, to be submitted to and approved by the Audit Committee at a regular meeting held in advance of the transaction. The chair of the Audit Committee has the authority to approve related party transactions in circumstances in which the Company's general counsel determines it is impracticable or undesirable to wait until the next regularly scheduled Audit Committee meeting. Aspects of proposed related party transactions to be considered in granting approval include whether the transaction benefits the Company, whether the goods or services in question are available from other sources and whether the terms of the proposed transaction are comparable to those available in transactions with unrelated third parties.

*PAX, Inc.* Mr. Phillips, a director of the Company, is currently the President, Chief Executive Officer and an owner of PAX, Inc. PAX has been a Company policyholder at various times since 1994. PAX paid premiums to the Company of \$158,290 in 2013, and is expected to pay premiums to the Company of approximately \$167,968 in 2014. The Company believes that the terms of the policies issued to PAX were established on an arms length basis and does not believe that this relationship interferes with Mr. Phillips' exercise of independent judgment in carrying out his responsibilities as a director. The Board has considered this information in determining that Mr. Phillips is an independent director within the meaning of the Nasdaq listing requirements.

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

As of December 31, 2013, the 2005 Incentive Plan, the 2012 Incentive Plan and the 2010 Director Plan were the only compensation plans under which securities of the Company were authorized for issuance. These plans were approved by the Company's shareholders. The Company has no equity compensation plans that have not been approved by its shareholders. The table provides information as of December 31, 2013.

<b>Plan Category</b>	<b>Number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of shares of common stock remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by shareholders	576,248 (1)	\$ 11.12	455,806 (2)

1. Represents shares issuable upon exercise of outstanding options under the 2005 Incentive Plan.
2. Represents 38,415 shares of common stock available for issuance under the Director Plan and 417,391 shares of common stock available for issuance under the 2012 Incentive Plan. No additional awards can be made under the 2005 Incentive Plan.

**Table of Contents****SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL HOLDERS**

The tables below provide information regarding the beneficial ownership of the Company's common stock as of April 17, 2014 for:

each of our directors;

each of our named executive officers;

all directors and executive officers as a group; and

each beneficial owner of more than five percent of the Company's common stock.

The tables below list the number of shares and percentage of shares beneficially owned based on 18,666,959 shares of common stock outstanding as of April 17, 2014.

Beneficial ownership of the Company's common stock is determined in accordance with the rules of the SEC and generally includes voting power or investment power with respect to securities held. Except as indicated and subject to applicable community property laws, to our knowledge the persons named in the tables below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

**Directors and Named Executive Officers**

<b>Name of Beneficial Owner</b>	<b>Number of Shares</b>	<b>Percentage of Outstanding Shares</b>
C. Allen Bradley, Jr. (1)	313,611	1.7%
Philip A. Garcia (2)(3)	5,480	*
Jared A. Morris (2)(4)	67,683	*
Millard E. Morris (2)(5)	102,031	*
Daniel Phillips (2)	11,911	*
Randy Roach (2)	7,953	*
Austin P. Young III (2)(6)	12,217	*
G. Janelle Frost (1)(7)	114,139	*
Michael Grasher (7)	27,273	*
Geoffrey R. Banta (1)	63,240	*
Vincent J. Gagliano (1)(7)	37,339	*
Craig P. Leach (1)	49,513	*
All directors and executive officers as a group (13 persons) (1)(7)	901,505	4.7%

\* Less than 1%.

- Includes shares of our common stock issuable upon the exercise of options within 60 days as follows: Mr. Bradley (216,500 shares), Ms. Frost (75,000 shares), Mr. Banta (51,750 shares), Mr. Gagliano (11,400 shares), Mr. Leach (48,498 shares) and all directors and executive officers as a group (472,031 shares).
- Includes 896 shares of restricted stock granted on the date of our 2013 annual meeting of shareholders pursuant to our 2010 Director Plan. The director has sole voting power but no dispositive power with respect to these shares. These shares vest on the date of the Annual Meeting.
- Includes 4,584 shares beneficially owned through a revocable trust, of which Mr. Garcia is a trustee.
- Includes 57,817 shares beneficially owned through a trust, of which Mr. J. Morris is a trustee.
- Includes 94,219 shares beneficially owned by an entity controlled by Mr. M. Morris.

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6. Includes 5,931 shares beneficially owned through a family limited partnership.
7. Includes shares of restricted common stock for which the executives have sole voting power but no dispositive power as follows: Ms. Frost (29,448 shares), Mr. Grasher (27,273 shares), Mr. Gagliano (22,266 shares) and all directors and executive officers as a group (80,034 shares).

**Table of Contents****Five Percent Holders**

The following table sets forth information regarding the number and percentage of shares of common stock held by all persons and entities who are known by the Company to beneficially own five percent or more of the Company's outstanding common stock. The information regarding beneficial ownership of common stock by the entities identified below is included in reliance on a report filed with the Securities and Exchange Commission by such entity, except that the percentages are based upon the Company's calculations made in reliance upon the number of shares reported to be beneficially owned by such entity in such report and the number of shares of common stock outstanding on April 17, 2014.

<b>Name of Beneficial Owner</b>	<b>Number of Shares</b>	<b>Percentage of Outstanding Shares</b>
FMR LLC (1)	2,589,362	14.0%
Blackrock, Inc (2)	1,747,877	9.4%
NewSouth Capital Management, Inc. (3)	1,331,935	7.2%
Wellington Management Co. LLP (4)	1,089,374	5.9%
Ameriprise Financial, Inc. (5)	919,623	5.0%

1. According to a Schedule 13G/A filed on February 14, 2014 by FMR LLC ( FMR ), FMR has sole dispositive power with respect to 2,589,362 shares of common stock. The address for FMR is 245 Summer Street, Boston, Massachusetts 02210.
2. According to a Schedule 13G/A filed on January 28, 2014 by Blackrock, Inc. ( Blackrock ), Blackrock has sole voting power with respect to 1,666,358 shares of common stock and sole dispositive power with respect to 1,747,877 shares of common stock. The address for Blackrock is 40 E. 52nd Street, New York, New York 10022.
3. According to a Schedule 13G/A filed on February 7, 2014 by NewSouth Capital Management, Inc. ( NewSouth ), NewSouth has sole voting power with respect to 1,089,910 shares of common stock and sole dispositive power with respect to 1,331,935 shares of common stock. The address for NewSouth is 999 S. Shady Grove Road, Suite 501, Memphis, Tennessee 38120.
4. According to a Schedule 13G/A filed on February 14, 2014 by Wellington Management Company, LLP ( Wellington ), Wellington holds shared voting power with respect to 802,031 shares of common stock and shared dispositive power with respect to 1,089,374 shares of common stock. The address for Wellington is 280 Congress Street, Boston, Massachusetts 02210.
5. According to a Schedule 13G/A filed on February 13, 2014 by Ameriprise Financial, Inc. ( Ameriprise ) and Columbia Management Investment Advisors, LLC ( CMIA ), Ameriprise, as the parent of CMIA, and CMIA have shared voting power with respect to 201,561 shares of common stock and shared dispositive power with respect to 919,623 shares of common stock. The address of Ameriprise is 145 Ameriprise Financial Center, Minneapolis, Minnesota 55474. The address of CMIA is 225 Franklin Street, Boston, Massachusetts 02110.

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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2013, Mr. Garcia, Mr. J. Morris, Mr. Traynor and Mr. Roach served as members of the Compensation Committee. Mr. Traynor decided not to stand for re-election to the Board at the Company's annual meeting of shareholders in June 2013. Mr. Roach became a member of the Compensation Committee in June 2013 following the 2013 annual meeting. No member of the Compensation Committee (1) was, during the fiscal year ended December 31, 2013, or had previously been, an officer or employee of the Company or (2) had any material interest in a transaction of the Company or a business relationship with, or any indebtedness to, the Company. None of our executive officers have served as members of a board of directors or compensation committee of any other entity that has an executive officer serving as a member of our Board or Compensation Committee.

**AUDIT COMMITTEE REPORT**

Management is responsible for the Company's system of internal controls over financial reporting and for preparing its financial statements. The Company's independent registered public accounting firm, Ernst & Young LLP, is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), and to issue a report thereon. The Audit Committee is responsible for overseeing management's conduct of the financial reporting process and system of internal control. It also oversees the Company's internal audit department, approving its audit plans, reviewing its reports, and evaluating its performance. The Audit Committee monitors whistleblower activity under Section 806 of the Sarbanes-Oxley Act of 2002, receiving regular reports through the Company's toll-free whistle-blower hotline. The Committee operates under a written charter adopted by the Board of Directors and reviewed annually by the Committee. The charter is available on the Company's website at [www.amerisafe.com](http://www.amerisafe.com).

The Audit Committee reviewed and discussed with both management and the Company's independent registered public accounting firm the audited financial statements of the Company for the year ended December 31, 2013 prior to their issuance. During 2013, management advised the Audit Committee that each set of financial statements reviewed had been prepared in accordance with generally accepted accounting principles, and reviewed significant accounting and disclosure issues with the Audit Committee. These reviews included discussion with the independent registered public accounting firm of matters required by Auditing Standards No. 16, as adopted by the PCAOB in Rule 3200T and by SEC Regulation S-X Rule 2-07, Communications with Audit Committees, as currently in effect, including the quality of the Company's accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit Committee also discussed with its independent registered public accounting firm matters relating to its independence and received the written disclosures and letter from Ernst & Young LLP required by applicable requirements of the PCAOB Ethics and Independence Rule 3526 regarding the independent accountant's communications with the Audit Committee concerning independence.

Taking all of these reviews and discussions into account, all of the Audit Committee members, whose names are listed below, recommended to the Board that it (a) approve the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the SEC and (b) accept management's report on its assessment of the effectiveness of the Company's internal control over financial reporting.

**Members of the Audit Committee**

*Austin P. Young III (Chair)*

*Philip A. Garcia*

*Randy Roach*

**Table of Contents****INDEPENDENT PUBLIC ACCOUNTANTS**

*Selection.* Ernst & Young LLP served as the Company's independent registered public accounting firm for 2013 and has been selected by the Audit Committee to serve as the Company's independent registered public accounting firm for 2014. Representatives of Ernst & Young LLP will attend the Annual Meeting, will have an opportunity to make a statement and will be available to respond to appropriate questions.

*Audit and Non-Audit Fees.* The following table presents fees for audit services rendered by Ernst & Young LLP for the audit of the Company's annual financial statements for 2013 and 2012 and for fees billed for other services rendered by Ernst & Young LLP.

	<b>2013</b>	<b>2012</b>
Audit fees (1)	\$ 1,096,500	\$ 1,020,000
Audit-related fees (2)	4,500	4,985
Tax fees		
All other fees (3)	1,995	1,995

1. Audit fees consist principally of fees for the audit of the Company's consolidated financial statements, reviews of the Company's quarterly financial information and fees related to registration statements filed by the Company with the SEC.
2. Audit-related fees for 2012 consist of fees associated with a consent provided in connection with a registration statement and for 2013 consist of services related to a statutory audit for an insurance company subsidiary.
3. All other fees consist of service costs related to the Company's use of Ernst & Young LLP's online accounting and reporting research tool and services.

*Pre-Approval Policies and Procedures.* The Audit Committee's policy is to pre-approve all audit and non-audit services provided to the Company by its independent registered public accounting firm (except for items exempt from pre-approval requirements under applicable laws and rules). This policy authorizes the Chair of the Audit Committee, in his discretion, to approve non-audit services on an interim basis, between regularly scheduled meetings of the Audit Committee. All audit and non-audit services for 2013 were pre-approved or ratified by the Audit Committee in accordance with this policy.



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**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's executive officers and directors and persons owning more than 10% of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% shareholders are required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to the Company, the Company believes that during 2013 all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% shareholders were in compliance with Section 16(a), except that (1) Mr. Bradley was late in filing one Form 4 reporting two transactions; (2) Mr. Gagliano was late in filing a Form 3 and in filing four Form 4s reporting 10 transactions; and (3) each of Messrs. Garcia, J. Morris, M. Morris, Daniels, Roach and Young was late in filing a Form 4 reporting one transaction.

**SHAREHOLDER PROPOSALS FOR THE 2015 ANNUAL MEETING OF SHAREHOLDERS**

In order to be included in the Company's proxy materials for the 2015 annual meeting of shareholders, a shareholder proposal must be received in writing by the Company at 2301 Highway 190 West, DeRidder, Louisiana 70634 by December 3, 2015 and otherwise comply with all requirements of the SEC for shareholder proposals.

In addition, the Company's Bylaws provide that any shareholder who desires to bring a proposal before an annual meeting must give timely written notice of the proposal to the Company's Secretary. To be timely, the notice (other than a notice recommending a director candidate) must be delivered to the above address not less than 60 nor more than 90 calendar days prior to the annual meeting. In the event public announcement of the date of the annual meeting is not made at least 75 calendar days prior to the date of the annual meeting, the notice must be received not later than the close of business on the 10th calendar day following the day on which public announcement of the date of the annual meeting is first made. To be timely, a notice (other than a notice recommending a director candidate) must be received no earlier than March 14, 2015 and no later than April 14, 2015. Under the Company's Bylaws, a notice recommending a director candidate must be delivered to the above address not less than 60 nor more than 90 calendar days before the anniversary of the date on which the Company first mailed its proxy materials for the prior year's annual meeting of shareholders. To be timely, a notice recommending a director candidate must be received no earlier than February 1, 2015 and no later than March 3, 2015. The notice must also describe the shareholder proposal in reasonable detail and provide certain other information required by the Company's Bylaws. A copy of the Company's Bylaws is available upon request from the Company's Secretary.

**OTHER MATTERS**

The Board does not know of any other matters that are to be presented for action at the Annual Meeting. If any other matters properly come before the Annual Meeting or any adjournment or postponement thereof, it is intended that the enclosed proxy will be voted in accordance with the judgment of the persons voting the proxy.

By Order of the Board of Directors,

Kathryn H. Rowan

*Senior Vice President,*

*General Counsel and Secretary*

DeRidder, Louisiana

April 24, 2014



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